

Who won the
Falklands peace?

Ten years after Mrs Thatcher launched a modern Armada, Jimmy Burns, who covered the war from Argentina, discovers what the defeated foe thinks of the anniversary Page 1

Essex man lived here

"Wanna bargain? Lovely houses close to London going cheap!" Page XII

How the Taj was Trumped

Steve Wynn took on Donald Trump in a billion-dollar game of casinos, and won Page XI

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Newspaper of the Year

Weekend March 21/March 22 1992

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WORLD NEWS

Iraq tells UN it will destroy Scud missile equipment

Iraq agreed to destroy manufacturing equipment related to its Scud missile programme in an effort to defuse the threat of military action from the United Nations. Ralph Ekeus, director of the UN commission charged with eliminating Iraq's weapons of mass destruction, said the move showed a new willingness in Baghdad to comply with UN demands. Page 24

Apology for duchess

Queen's press secretary Charles Anson apologised to the Duchess of York and the Queen for critical remarks he made on Thursday about the duchess's suitability for public and royal life. Palace sources made it clear there was no need for Mr Anson, who was previously in charge of group public relations for merchant bankers Kleinwort Benson, to resign. Page 4

BCCI man in court Imran Mohammed Ahmad Imran, former Bank of Credit and Commerce International account manager, will appear at the City of London magistrates court today charged with two offences of conspiracy involving \$179.4m (£103.6m). Page 4

Referendum appeal

President Boris Yeltsin appealed to residents of the autonomous republic of Tatarstan to vote "no" in a referendum today on independence from the Russian Federation, saying the poll could unleash violence. Page 2

Troops kill Palestinians Israeli soldiers shot dead a Palestinian and imposed curfews in the worst unrest to sweep the occupied West Bank and Gaza Strip this year. Youths stoned troops and paramilitary police and set up roadblocks of burning tyres. Page 15

Libya offers Pan Am peace Libya was reported to be ready "in principle" to hand over to the United Nations two men accused of the bombing of a Pan Am aircraft over Lockerbie in Scotland. Page 3

China's socialist rock' Premier Li Peng said faster and deeper economic reform would ensure China as a socialist "rock in the east" and warned that neither political change nor unrest would be tolerated. Page 3

Kyoto banks rallies Kyoto banned political rallies in an effort to curb tribal fighting in which more than 70 people have died this year. Page 3

Open skies pact Nato allies and former Soviet bloc countries agreed in Vienna to allow unarmed surveillance aircraft to fly over each other's territory. Page 2

Foes unite to sell arms The Serb-controlled Yugoslav army and the republic of Croatia, until recently at each other's throats, have joined forces to produce weapons for export. Page 2

Picasso stolen An early Picasso oil painting, *Child with a Doll*, was stolen from a museum at Grenoble in the French Alps. Page 4

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BUSINESS SUMMARY

Maxwell's widow helps foot son's legal bills

Elizabeth Maxwell, widow of the late Robert Maxwell, who last month described herself as "desitute", is the benefactor helping to pay her son Kevin's legal bills. Her identity was disclosed in the Appeal Court where provisional liquidators of Bishopton Investment Management tried to have her made liable, with Kevin, for BIM's legal costs. Page 24

Election week 1

FTSE 100 index



Olympia & York banks to meet over debts

By Bernard Simon in Toronto and Richard Waters and Vanessa Houlder in London

RANKERS to Olympia & York, the world's biggest property developer, are preparing for talks to consider the secretive group's debts estimated to be at least C\$10bn (\$5bn).

Banks from around the world are expected to be called to a meeting within weeks to seek a way to support the transatlantic property group built up by the Canadian Reichmann brothers.

O&Y, whose flagship developments include the World Financial Centre in New York and Canary Wharf in London, has seen its income squeezed by the continuing recession in North America and Britain. Falling property values have made banks increasingly nervous.

The group's debts are a closely guarded secret but Canadian real estate analysts estimate its debt at between C\$10bn and C\$20bn.

A decision to call the meeting lies with the group's main members, Canadian Imperial Bank of Commerce (CIBC) and Citibank of the US. Others are expecting a formal invitation to attend.

Mr Paul Reichmann, O&Y's president, is a director of CIBC, but the bank declined yesterday to comment on any aspect of its business dealings with O&Y.

An O&Y spokesman said: "There are ongoing discussions with individual banks." He said no meeting had been taken place or been scheduled but would not comment further.

Any restructuring of O&Y's debt by the group's bankers would amount to one of the largest financial operations of its kind in recent years.

A comparable operation was the US\$300m debt restructuring

of Mr Rupert Murdoch's media empire in early 1991.

One banker said of the group's cash squeeze: "It has been taking a lot of money at a time when the businesses are not generating cash. Also, there's no new money to pay today's bills."

He added that bankers are not content to rely only on the group's various properties as security for their loans. "It's fine to own a piece of real estate, but it's not cash." O&Y is already understood to have arranged a loan with a number of its bankers to replace two short-term financing arrangements totalling C\$800m.

The company has already refinanced about C\$800m, and is now in talks with the banks to replace the rest with more stable, longer-term loans.

O&Y's problems are due in large part to the resources it has been forced to devote to the £1.3bn Canary Wharf project in the London's docklands, Europe's largest office project.

The company was successful at signing up tenants before the completion of the first phase of 4.4m sq ft but, in the past 18 months, as the recession in the UK has deepened, the rate of lettings has slowed sharply.

Fifty per cent of the existing space remains untenanted.

A further 6m sq ft are due to be completed by 1997 although it is unclear whether the whole project will be finished.

This week the company withdrew a £235m financing package to construct private flats in Canary Wharf.

The company is also under pressure in North America, where it is fighting to keep some of its tenants in cities which have sharply increased vacancy rates.

The Texas king who would be president

By George Graham in Washington

EVERY time Mr Ross Perot, the Texas businessman, appears on US television, viewers ring in to ask him to run for president.

If he decides to do so, as an independent, he will not have to worry about the factor - lack of money - that caused Mr Paul Tsongas to drop out of the Democratic race this week.

Mr Perot, who sold his EDS computer services empire to General Motors for \$2.5bn (£1.4bn) in 1984 and owns a large slice of active Texas, is one of the wealthiest men in the US. He could easily finance a presidential bid out of petty cash.

However, to the average voter, his best-known achievement is the rescue of two EDS employees from an Iranian jail - an episode glamourised in "Wings of Eagles", by Ken Follett, the British novelist.

As a candidate, he would combine this reputation for derring-do with an intriguing blend of political standpoints.

There would be a little of Mr Tsongas's call for sacrifices to

Continued on Page 24

busily gathering signatures to get his name on the ballot in all 50 states - a condition Mr Perot has imposed before formally declaring his candidacy.

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INTERNATIONAL NEWS

Bundesbank power shift a step closer

By Quentin Peel in Bonn

A RESTRUCTURING of the German Bundesbank, to reduce the influence of the federal states in its ruling council, passed a key hurdle yesterday in the Bundestag.

The lower house of the German parliament agreed to cut the number of separate "state central banks" from 11 to nine, instead of raising the number to 16 to accommodate all the new states in the former East Germany.

The move, backed by the government and Mr Helmut Schlesinger, the Bundesbank president, is being pushed through in spite of opposition from most of the states.

It is intended to prevent the German central bank from becoming unwieldy and from being dominated by potentially maverick state central bankers against the views of its full-time directors.

In recent months state representatives have twice come into conflict with Mr Schlesinger and his full-time colleagues: in pushing through a half-point rise in interest rates when the Bundesbank president favoured a quarter-point; and in bringing reservations about European monetary union into the open.

It now seems a deal will have to be negotiated in a conciliation committee between the Bundestag, in which the government has a majority, and the Bundesbank, which represents the 16 states, now with a Social Democrat majority.

Kohl aims to break Gatt impasse in Bush talks

By Quentin Peel

CHANCELLOR Helmut Kohl of Germany will meet President George Bush today for talks which the German government hopes will help to break the logjam in the stalled Gatt negotiations on liberalisation of trade.

The two leaders are also expected to discuss the state of the world economy and the consequences of the collapse of the Soviet Union in their talks at Camp David, the president's weekend retreat.

Mr Kohl is flying to the US under heavy domestic pressure to use his good offices to broker a deal on the Gatt talks between his two closest allies -

ing-off period of up to six weeks. Nevertheless, the prospect of a big public sector strike in Germany is still real.

"The two sides are still worlds apart, between what the employers are offering and what the trade unions are demanding," said a representative of the local authorities, the third tier of employers involved below the central government and the states.

Mrs Monika Wulf-Mathies, leader of the OTV public sector union, said the government's 3.5 per cent offer was a "declaration of war." The unions are seeking 9.5 per cent, plus extra holiday pay.

The government's hard line

reflects anxiety about extraordinary pressures on the public sector stemming from German unification costs and the signals that a high pay award would give for other sectors, including key engineering workers.

Chancellor Helmut Kohl this week approved an increase in pensions of only 2.7 per cent, well below the current 4.2 per cent annual inflation rate, to a stormy talk of criticism.

Behind him he has the grim determination of the Bundesbank to stifle the threat of inflation by tightly controlling money supply and keeping short-term interest rates at a record level.

Public sector wages have been resolved in arbitration twice before in the past decade, but the two sides appear more firmly entrenched than in recent years. However, neither side really wants all-out conflict, aware that the German economy is in danger of tipping into recession and that the cost of massive transfers from the west German economy to the east is still rising.

• West German industry had the highest labour costs in the world last year for the third consecutive year, according to a study released yesterday by the Institute of German Economy (Ifo), Reuter reports from Bonn.

Bush and Congress do battle over reviving economy

By Jurek Martin, US Editor, in Washington

WASHINGTON ushered in the spring equinox yesterday with predictable rolls of political thunder as President George Bush and the Democratic leadership in Congress squared off over how best to revitalise the US economy.

Yesterday was the deadline set by the president in his state of the union message for Congressional passage of his plan to stimulate growth. It has been apparent for some weeks that whatever came out of Congress would be vetoed by Mr Bush because, though broadly fiscally neutral, it would increase income taxes on the wealthiest Americans.

The White House launched the first strike on Thursday night by announcing that Mr Bush would invoke an obscure and never-used provision in the 1974 budget act and require Congress specifically to vote on more than 100 individual spending items, worth \$3.6bn, deemed excessive by the Administration. This seems to be a variation on the "line item veto" that some Republicans have been urging the president to adopt. Details were to be filled in later yesterday.

The Congressional leadership immediately questioned his authority to do this and even the White House conceded that though the president has the power to demand that Congress rescind earmarked funds, the legislature has 45 days to consider the issue and, if necessary, reject the presidential proposals.

Simultaneously, and overnight, Congressmen Dan Rozenkowski, chairman of the House ways and means committee, and Senator Lloyd Bentsen, chairman of the Senate finance committee, drew up the tax bill for presentation to both Houses yesterday - and a certain veto by the president.

Their bill does incorporate a lot of Mr Bush's seven point plan, but it finances middle income tax credits by increasing the top tax rate from 31 per cent to 36 per cent. This rate is only paid by individuals with taxable incomes over \$115,000 (\$26,473) a year and couples earning over \$140,000.

Mr George Mitchell, the Democratic Senate majority leader, praised the package as not only fair but fiscally responsible. He said it would cut the federal deficit by \$10bn, whereas the Bush plan, as originally proposed, would increase it by \$34bn. The bill will pass both houses, it is assumed, but not by enough to override a presidential veto.

Mr Bush's political strategy in this is very clear. He wishes to re-establish his credentials as a president who will not increase taxes, even if only on the wealthy, and, at the same time, he intends to stop unnecessary spending.

The combination is also designed to repel in the public mind the perception successfully used in the last three presidential elections, that the Democrats are the "tax and spend" party.

Mr Bush is helped by the fact that Congress, engulfed by a variety of scandals, is not the flavour of the month among the US electorate. On top of the House bank scandal, the House Postmaster resigned on Thursday amid accusations that its facilities had also been abused by members of Congress.

A poll yesterday found public confidence in Congress at an all-time low of just under 20 per cent. The Democrat-run Congress thus represents an inviting target for Mr Bush before he locks horns with his Democratic opponent, most likely Governor Bill Clinton, in the presidential election.

Yeltsin in plea to breakaway Tatars

By Leyla Boulim in Moscow

PRESIDENT Boris Yeltsin yesterday appealed to Tatars to vote "no" in a referendum on independence from the Russian Federation, saying the poll could unleash violence and threaten the course of reforms in Russia.

He warned viewers to remember that "every political mistake bears a concrete price".

It was time to draw the lessons of inter-ethnic strife over the last few years in the former Soviet Union, he said on television on the eve of the poll in the autonomous republic west of Moscow. He said a vote for independence would set Tatars and Russians within Tatarstan against one another.

The Russian parliament meanwhile resorted to "divide and rule" tactics to try to tackle rebellion from another semi-independent enclave which is threatening to break away. Meeting in closed session, it approved a resolution splitting up Chechen-Ingushetia, another former autonomous republic whose leaders want independence.

The move is likely to provoke a fierce reaction from Chechen-Ingushetia's President Jokhar Dudayev, who has renounced the republic Chechnya to assert the dominance of the Chechen nation.

Tatarstan meanwhile pressed ahead with its referendum, defying a resolution by the Russian parliament that Tatarstan make the poll comply with the Russian constitution.

The expected pro-independence vote could encourage others among the 20 autonomous republics to rebel.

Yugoslav foes become brothers in arms sales

By Laura Silber in Belgrade

THE Serb-controlled Yugoslav army and the republic of Croatia, until recently at each other's throats, have joined forces to produce weapons for export.

Serbian and Croatian media this week confirmed that Djuro Djakovic, a weapons factory in Croatia, will honour a \$300m two-year contract for the delivery of 200 M-84 tanks to Kuwait. The Yugoslav federal office which oversees arms sales said the outbreak of war had prevented Yugoslavia from fulfilling the contract. Borba, a Belgrade daily, reported yesterday.

Vjesnik, the Zagreb daily, said Croatia would receive \$300,000 of the \$1.5m price of each tank. The tanks are assembled in Djuro Djakovic in Slavonski Brod town midway between the Croatian capital Zagreb and the Serbian capital Belgrade.

The newspaper said 1,000 factories from all the republics of the former Yugoslav federation contribute parts for the M-84s. Vjesnik cited "numerous problems" in deliveries from Bosnia-Herzegovina, where road blocks have become routine. It said Serbia "irregularly" delivers parts due to a government embargo and suspicion that the tanks may be used by the Croat army rather than exported to Kuwait.

General Antun Tus, the chief of staff of the Croat forces, admitted it may "sound paradoxical that warring countries are in this joint business of production and export of weapons to a third country". But he insisted there was no danger because the tanks were entirely under Croatian control.

Old enemies agree surveillance pact

By David White, Defence Correspondent

NATO allies and countries of the former Soviet bloc reached an Open Skies agreement in Vienna yesterday, allowing them to fly unarmed surveillance aircraft over each other's territory.

The accord, reached six months after the revival of negotiations, means that a formal treaty can be signed by foreign ministers when they meet at the Conference on Security and Co-operation in Europe (CSCE) in Helsinki on Tuesday.

The pact is due to be finalised today by representatives of 24 countries including - out of the former Soviet Republics - Russia, Ukraine and Belarus. Other new republics as well as European countries outside Nato and the former Warsaw Pact will be able to join later.

Russia and representatives from the nine-nation Western European Union are due to meet in Moscow next week to discuss the possible use of

jointly-funded aircraft to carry out Open Skies flights.

Initially, surveillance will be done by cameras and radar, with infra-red sensors used only by bilateral agreement, but this restriction will be lifted after three years. Each country will have a quota of flights.

Data obtained from the flights will be available to all signatories, although payment arrangements have still to be settled.

President Bush launched the Open Skies initiative in May 1989, taking up a proposal first put forward by President Eisenhower in 1955. But talks ran around a year later over restrictions sought by Moscow. They resumed last September. Moscow dropped its insistence on territorial limits and the right to verify US bases in other regions. In exchange, it obtained the right for any signatory to provide its own aircraft for surveillance missions.

Shipyard revival seen as tactic against Le Pen

By William Dawkins in Paris

THE FRENCH government has given its blessing to attempts to re-open a bankrupt shipyard near Marseilles, attracting opposition allegations of underhand electioneering tactics ahead of tomorrow's regional poll.

The yard, at La Ciotat, is an historic industrial symbol in the Provence-Alpes-Côte d'Azur region, where the extreme right-wing National Front has had a big lead in opinion polls, ahead of conservatives and Mr Bernard Tapie, the flamboyant businessman backed by the Socialists.

The district or departmental authority has just bought La Ciotat's assets from Baudouin Worms, a nationalised bank which took them over two years after Nordorm, the former operator, went into liquidation in 1987.

The local authority has been keen to re-open the yard with Lexmar, the Swedish shipbuilder, ever since its demise.

but it was only earlier this week that a formerly sceptical government gave its go-ahead for negotiations.

This followed an announcement by Mr Pierre Bérégovoy, the finance minister, that he was prepared to give a "helping hand" to attempts to re-float the yard, so long as no state aid was expected.

Lexmar was yesterday preparing a rescue package, with local investors, to offer to the departmental authority.

Previously, the government had resisted rescue attempts on the grounds that the yard could never become competitive.

Any rescue attempt would be given to the departmental authority.

Mr Leonid Kravchuk, clearly with Russia in mind, said that "there is a planned long-term attack on our republic which only deserves independence". He confirmed that Ukraine had ceased to send its tactical nuclear missiles to Russia - about half have, for some time.

Western military and

intelligence observers said Mr Kravchuk, whose statement last week that he would not return the tactical missiles had caused alarm in the west, had given this declaration after his visit to St Petersburg and Moscow had been delivered.

About 33,000 St Petersburg students and a large number

of pensioners will each get Rbs150 out of funds from the sale of EC food delivered to the city, writes Andrew Hill in Brussels. The European Commission said about Ecu80m (257m) of nearly Ecu270m of food aid to St Petersburg and Moscow had been delivered.

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INTERNATIONAL NEWS

* Li Peng tells party congress lid must be kept on political change and unrest

Chinese premier backs economic reform

By Yvonne Preston and Reuter in Beijing

CHINA'S prime minister, Li Peng, yesterday gave cautious backing to the economic reform strategy of Deng Xiaoping, the country's paramount leader, but warned that neither political change nor unrest would be tolerated.

At the opening session of China's rubber-stamp parliament, the National People's Congress, Li said: "We must do two types of work at the same time, attaching equal importance to both. We should promote reform and opening to the outside world and, at the same time, crack down on criminal activity of all kinds."

The annual assembly comes after reformists, led by Deng, have taken the initiative in a fierce power struggle against hardline ideologues within the country's communist government. Li is known to favour a cautious style of central planning, while the reform lobby wants a more radical approach to economic development.

Deng's picture has been plastered across southern newspapers in the past week in a media barrage unprecedented since the days of Chairman Mao Zedong's personality cult in the mid-1960s. This could be a strategy to out-flank party

hardliners in the north unhappy with the pro-reform push.

In his "government work report" to the 3,000 delegates, Li substantially reflected the new economic strategy pushed publicly by Deng in visits to southern China in January and February.

Repeating remarks made by Deng, Li said in carrying out reform, "we should emancipate our minds, seek truth from facts and boldly explore new ways". The test of reform was whether it raised living standards and boosted productivity.

The report was half the usual length and relatively free from orthodox communist slogans.

However, the Chinese premier failed to repeat Deng's claim that the greatest danger came from the left not the right.

Reflecting fears of party hardliners about a breakdown of law and order and an end to their grip on power, he said: "We should not hesitate to take forceful action against criminal activities and to eliminate social evils."

Li said: "We must be on the watch for any ideological trend towards bourgeois liberalism, checking it at the moment it appears and never

allowing it to run rampant."

The work report declared a formal end to the austerity programme initiated after the rampant inflation and economic overheating of 1988.

Because "rectification" had only just ended, Li said the economic growth target has been set at only 6 per cent over last year's figure, with inflation to be kept under 5 per cent. He said China suffered from a growing budget deficit, over-expanded credit, inflationary tendencies and loss-making state enterprises.

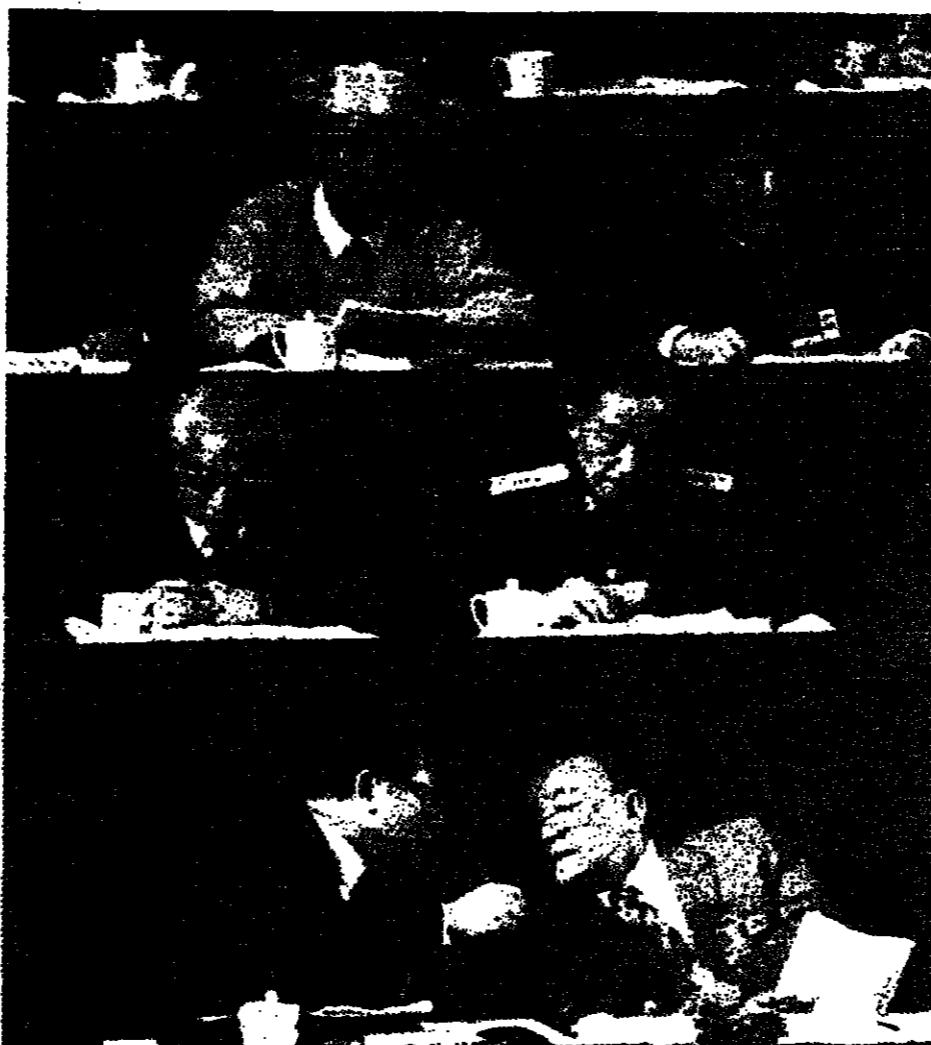
The premier pledged to make state enterprises more responsive to the market, but he stopped short of recommending large scale privatisation or bankruptcy.

The controversial Three Gorges hydro-electric dam project should be included in the 10-year plan that runs until the end of this century, Li said.

The 57bn yuan (65bn) project was "technologically feasible and economically rational and should be built."

For the first time, the report referred to human rights.

China acknowledges human rights as a proper subject for international discussion but opposes the use of human rights as a pretext for interfering in other countries' internal affairs, Li said.



Party leader Jiang Zemin, left, gestures with a pencil to President Yang Shangkun at the opening session of the National People's Congress yesterday

Gadaffi 'ready to hand Lockerbie suspects to UN'

By Mark Nicholson, Middle East Correspondent

LIBYA was reported yesterday to be ready "in principle" to hand over to the United Nations secretary-general two men accused by Britain and the US of having masterminded the bombing of a Pan Am aircraft over Lockerbie.

Nevertheless, other western officials said the move might ease but not remove the pressure on Libya, since Tripoli, under the terms of resolution 731, would still be expected to hand over the men accused of playing a part in the UTA bombing and disassociate itself from all acts of terrorism.

Colonel Muammar Gadaffi's regime has wriggled uncompromisingly under the pressure from the US, Britain and France. It has proposed a string of solutions short of western demands while stockpiling vital goods and shifting billions of dollars of overseas assets in case of sanctions.

Discomfort among Libya's neighbours at the Gadaffi regime might be fatally destabilised by external pressure has prompted a concerted attempt to broker a solution, led by Egypt.

In its scramble to find a solution, Libya yesterday despatched a senior envoy to Tripoli to meet Prince Saud al-Faisal, the Saudi foreign minister, while Major Khouelid Hamidi, a senior Libyan defence official held two sessions of talks with King Hassan of Morocco on Thursday.

Israeli poll puts Labour in front

By Hugh Carnegy
in Jerusalem

ONE OF the first national opinion polls conducted since an Israeli general election was called for June 23 has put the opposition Labour party ahead of the governing Likud party of Prime Minister Yitzhak Shamir. But the Likud and the parties it was in coalition with until recently would still together command a parliamentary majority.

The telephone survey, conducted by the Dafah Institute in Tel Aviv for a daily newspaper, gave Labour, under its new leader, Mr Yitzhak Rabin, 41 seats in the 120-seat Knesset, with Likud slipping to 37.

Labour's "natural allies" among small leftist and Arab parties, to which it would turn for support in a coalition, shared 17 seats, while right-wing and religious parties which tend to support Likud shared 25. In theory, this would allow Mr Shamir to reconstruct his old coalition with a parliamentary majority of two.

Although the poll confirmed anecdotal evidence that Labour is profiting from harsh economic conditions and the government's disputes with the US, analysts warn that much can change between now and June.

• Israeli soldiers shot dead a Palestinian and imposed curfews yesterday in the worst unrest to sweep the occupied West Bank and Gaza Strip this year, Reuter reports.

Youths stoned troops and set up roadblocks of burning tyres.

The army put the West Bank towns of Ramallah and Hebron under curfew and sealed off the entire Gaza Strip, home to 750,000 Palestinians.

Soldiers killed a 12-year-old youth from Silwad village in clashes in Ramallah. Military sources said he had thrown a firebomb at an army jeep.

A 20-year-old Palestinian also died yesterday after being shot by security forces in the town of Jenin three days ago.

The clashes marked an upsurge in the four-year-old Palestinian revolt, which had been virtually dormant since the Middle East peace talks got under way in Madrid last October.

Mickey makes the long march back to China

By Simon Davies in Hong Kong

MICKEY MOUSE is to return to China after a two-year absence - courtesy of the recently negotiated bilateral agreement with the US over intellectual property rights.

Disney products had a run of success in China before 1989, the year the authorities cracked down on dissidents in Beijing's Tiananmen Square. A television show used to attract 300m viewers a week, according to Mr John Feeney, executive vice president for Disney Consumer Products, Asia Pacific.

But the company decided to pull out when it felt that counterfeiting of Disney products had become endemic.

Now, with the Chinese economy booming and a certain amount of protection from

Kenya bans political rallies

By Michael Holman
in Nairobi

THE KENYAN government yesterday banned political rallies in an effort to curb tribal fighting, which has killed more than 70 people this year.

The ban, a serious setback to Kenya's transition to a multi-party democracy, will alarm aid donors.

A "donors' conference" in Paris last November linked aid to economic reform and civil rights.

Clashes between President Daniel arap Moi's Kalenjin clan, and Luo and Luhya tribes, have been condemned by the Forum for the Restoration of Democracy (Ford), the main opposition party.

Ford officials believe that the fighting has been encouraged by the government, seeking a pretext to delay an election.

FIS vows to fight

Algeria's banned Islamic Salvation Front (FIS) yesterday vowed to go on fighting the country's leaders until they hold a general election, writes Francis Ghislain.

A communiqué issued after a clandestine meeting of FIS leaders still at liberty - nearly 7,000 leaders and sympathisers are held in detention centres in the Sahara Desert - said the FIS was engaged in a battle "of an oppressed people, deprived of the right to decide their future. It is a combat against a handful of despots."

Banda's foes gather

More than 60 members of Malawi's exiled opposition met in Lusaka yesterday to form a unified front to push for democracy in their homeland, AP reports from Lusaka.

It was the first time so many opponents of President Hastings Kamaala Banda had gathered to plan a strategy against the authoritarian ruler.

Race war" boast

Right-wing extremist Eugene Terre Blanche said yesterday his private army was preparing for race war following the "Yes" victory in South Africa's reform referendum. Reuter reports from Johannesburg.

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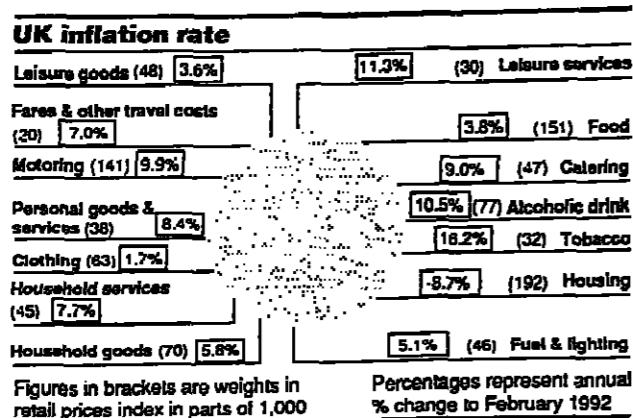
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UK NEWS

End to discounting causes inflation to stick at 4.1%



Figures in brackets are weights in parts of 1,000.

INFLATION stayed stubbornly unchanged at 4.1 per cent in February, disappointing government hopes that it would drop to 4 per cent, Emma Tucker writes.

However, an increase in the German inflation rate to 4.3 per cent in February means that Britain's annual inflation rate fell below Germany's for the first time since September 1987.

The end of heavy discounting in the January sales caused prices in certain groups of the retail prices index to bounce back last month, and that left the annual rate unchanged.

Figures from the Central Statistical Office showed that the index rose from 135.6 in January to 136.3 in February, based on a weighting of 100 in January 1987. This represented a rise of 0.5 per cent.

In spite of the month-on-month increase, the UK inflation rate remained below the EC average of 4.6 per cent in January, and below the 4.3 per cent average of ERM countries.

After a sharp drop in clothing and footwear prices in January because of heavy discounting in the sales, the rate of inflation for this component of the RPI rose 1.3 per cent in

February after a fall of 5.1 per cent in January.

Higher petrol prices boosted the motoring expenditure component 0.7 per cent on the month, although it was also affected by some increases in second-hand car prices and spare parts. The higher petrol prices, against a drop in prices a year ago, contributed to keeping the underlying rate of inflation, which excludes mortgage payments, stable at 5.6 per cent.

Food prices rose 0.5 per cent last month, but there was a sharp drop in seasonal food price inflation, reflecting the mild winter. The rate of seasonal food price inflation dropped to 0.1 per cent in February from 3.3 per cent in January.

Non-seasonal food rose 0.5 per cent on the month, reflecting higher prices for soft drinks, bread, cheese, bacon, and some other meats.

A monthly increase of 0.9 per cent in household-goods prices reflected some recovery from January's record price reductions. There was no change in the cost of household services.

While the year-on-year rate of increase in the RPI could come down to below 4 per cent in March as the recent reduction in mortgage interest rates takes effect, April could be a different story. The increase announced in the Budget earlier this month in excise duty on alcohol, tobacco, petrol and car road tax could combine to push the index up.

Banks rebuff card protests

BANKS yesterday rounded on retailers for complaining about increased charges for processing credit-card payments. David Barchard writes. They challenged the retailers to stop taking credit cards if they were dissatisfied with the terms on offer.

The Credit Card Research Group, a lobby group set up by the banks, said retailers' complaints were unreasonable. It claimed that they had come after three years in which charges had fallen by a third, saving £200m.

"They [the retailers] have squeezed the card companies so hard that they are now losing significant amounts of money on processing card transactions for the retailer," said Ms Elizabeth Phillips, director of the group.

"Retailers have the option of refusing to take cards," she added. "But they should think carefully before doing so. There are many advantages to the retailer in taking cards."

Mr Mike Wilsey, assistant director at the British Retail Consortium, which represents store groups, responded: "Retailers have spent heavily on fitting out their checkouts for debit and credit cards on the understanding that debit-card transactions would be about the same as clearing cheques."

"Now they are being told that it is going to be much more expensive, and they are quite incensed."

No-strike deal in NHS

THE FIRST no-strike agreement in the National Health Service was signed yesterday between several unions and Homewood Trust, one of the first wave of new hospital and community services trusts.

The agreement with three unions, the Royal College of Nursing and British Medical Association introduces a joint commitment to binding pending arbitration in the event of a failure to agree. This is a system in which arbitrator accepts either side's final offer. The new deal also introduces procedures designed to exclude strike action.

Homewood employs 1,000 staff in mental health and handicapped services in north-west Surrey.

Case against woman dropped

THE CASE against a woman charged with her ex-husband in connection with a burglary at the solicitors of Mr Paddy Ashdown, Liberal Democrat leader, was dropped yesterday. Ms Maria Wilson of Mousecroft, East Sussex, had been charged with handling goods stolen from Bates, Wells & Braithwaite in Smithfield, London.

At the same court her ex-husband, Mr Simon Berkowitz of Hove, West Sussex, was granted unconditional bail until April 16. He is charged with stealing documents and cash from the solicitors in January this year.

Mail sorting jobs to be cut

THE POST OFFICE confirmed yesterday that its Royal Mail subsidiary expected to shed about a third of the 45,000 jobs in letter-sorting over the next few years as a result of a £250m investment programme.

Machinery is being introduced which will be able to read handwritten post codes rather than just typed addresses as at present.

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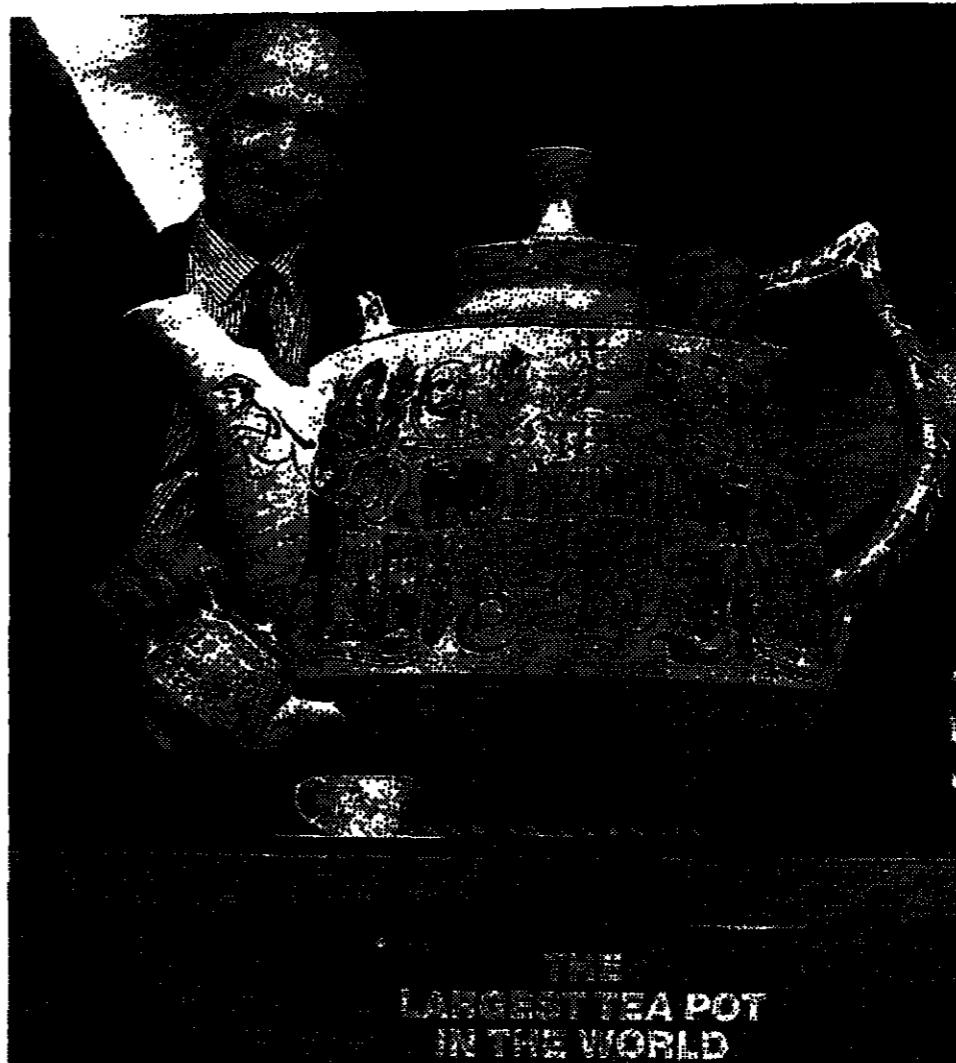
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of which £150,000,000
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The interest payment date will be 22nd June, 1992. Coupon No 28 will therefore be payable on 22nd June 1992 at £140.54 per coupon from Notes of £50,000 nominal and £140.45 per coupon from Notes of £5,000 nominal.

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One for the pot: "An Ace Caff with quite a nice museum attached" may be a crass advertisement for the Victoria and Albert Museum, but it's just right for the Bramah Tea & Coffee Museum which opened this week near Tower Bridge. David Blackwell writes. Mr Edward Bramah, its founder, is seen here with part of his collection. Photograph: Lydia van der Meer.

BCCI executive in court today

By Raymond Hughes, Law Courts Correspondent

THE first Bank of Credit and Commerce International executive to be charged in England with criminal offences will appear in court in London today.

Mr Imran Mohammed, former managing director of Attock Oil, an oil producing and trading group based in London, was charged with conspiracy involving \$178.4m. The Serious Fraud Office said last night that Mr Iman, from Edgware, north London, had been arrested earlier yesterday.

The first charge alleges that between January 1 1988 and December 31 1990, Mr Iman conspired with Mr Agha Hasan

auditors for audit purposes. Mr Iman is the second man to be charged in England in connection with BCCI.

Last month Mr Mohammed Abdul Bagi, a former managing director of Attock Oil, an oil producing and trading group based in London, was charged with conspiracy. He is accused of conspiring with Mr Basheer Chowdry, BCCI's former UK regional general manager, and other members of the BCCI senior management to supply false information to BCCI auditors showing that Attock Oil owed BCCI more than \$76m. Mr Bagi has been released on bail and is due back in court on May 16.

Barclays to implement 3% offer

By Michael Smith, Labour Correspondent

BARCLAYS BANK is to implement a pay deal for 70,000 employees averaging slightly more than 3 per cent - the lowest among the big four in recent years - in spite of union opposition.

The implementation of the increase on Monday signals a tougher line by the banks on pay and conditions.

The Barclay's pay package will be implemented in spite of a ballot concluded yesterday by Bifu, the financial services union, which showed a major

ity of members in favour of industrial action.

Members of the Barclays Group Staff Union (BGSU) have voted against the pay offer and are being consulted by their leaders on whether they want to vote on industrial action.

In spite of the union votes, it is extremely unlikely that there will be industrial action at the bank.

Bifu is investigating the possibility of joint action with BGSU. Although it has not

given the results of its ballot, it admits that the majority in favour was narrow and that the turnout was low.

Barclay's offer would raise salaries of its 70,000 non-managerial staff by £230 and £535 a year, representing rises of between 4 per cent and 2.5 per cent.

Salaries would vary between £5,954 and £18,674 after the implementation of the settlement, which is payable from the beginning of February, the settlement date.

Virgin Atlantic starts libel case against BA

By Paul Betts, Aerospace Correspondent

THE LONG dogfight between Virgin Atlantic Airways and British Airways intensified yesterday with Virgin's decision to start a libel action in the London High Court against BA and its chairman, Lord King.

The libel action comes a week after Virgin announced it was taking legal action in the US against an alleged "dirty tricks" campaign by BA against its smaller UK rival.

Mr Richard Branson, Virgin chairman, said he was now starting legal proceedings in the UK because of BA's comments - in a newsletter, letters and a press release - on Virgin's allegations of "unacceptable business practices" by BA.

"The manner in which BA and Lord King have attacked both Virgin Atlantic and myself, by dismissing Virgin's claims as fabrications, leaves me no choice but to proceed this way," Mr Branson said.

Virgin said writs were in the process of being served.

Mr Branson has accused BA of attempting to undermine his airline through a smear campaign and by refusing to co-operate on engineering maintenance for his aircraft.

He warned that he would take legal action if he did not receive an apology from BA, assurances from the bigger carrier to halt its alleged "dirty tricks" campaign and the dismissal of Mr Brian Basham, a public relations consultant allegedly involved in the campaign.

BA has repeatedly rejected Mr Branson's charges and has described his decision to take legal action in the US as a publicity stunt.

Mr Branson said yesterday that he had done "everything I can" to avoid two British air lines ending up in court against each other.

BA's German deal, Page 12.



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Trading curbed at two Lloyd's syndicates

By Richard Lapper

TWO syndicates at the Lloyd's of London insurance market have ceased to accept new business for the time being.

Syndicate 65, which has a capacity, or capital base, of £38m, and the smaller 604, with a capital base of £4m, are not accepting new business in the wake of Thursday's instruction by the Committee of Lloyd's to Chester syndicate 60 to stop trading.

Another agency, Hayter Brockbank, is leading efforts to find a new managing agent for both of the syndicates and according to Mr George Stevens, a managing director, "is hopeful to get the syndicates trading again in the next few days."

Hayter Brockbank agreed an option to buy the Chester agency, one of the oldest at the insurance market, last year and has been involved in supporting the Chester management over the last five months.

But Hayter says that it is not interested in managing either syndicate on a long-term basis. Mr Stevens says that

although syndicate 65 has no particular problems, its information systems are different to those used by Hayter Brockbank's own syndicates.

The Chester agency's financial difficulties are understood to be one of the main reasons for the decision by Lloyd's,

although Chester has also experienced difficulties in buying errors and omissions insurance - which covers the agency managers against the cost of any legal awards.

Premises rates for errors and omissions insurance - which is also insured at Lloyd's - have risen sharply in the wake of a large payout by errors and omissions underwriters after the £16m out-of-court settlement in the Ovaltine case last month.

In a separate development yesterday, Pulbrook Underwriting Management, a subsidiary of the Merritt Group, announced that it is to merge syndicates 731 and 1038.

The successor syndicate 1038 will have a capacity of about £25m.

Retailers face charges over fruit juice labels

By John Thornhill

THE Ministry of Agriculture is to prosecute 11 food companies for alleged misleading labelling of orange juices.

The companies, which include big grocery retailers such as J Sainsbury, Tesco, Safeway and Asda, are alleged to have sold juices described as "unsweetened", which were found by the ministry last year to contain levels of corn syrup or beet sugar above the prescribed levels. Most of the companies have said they will contest the allegations.

At the time of the testing, Mr John Gummer, agriculture minister, said: "It should not be assumed from these test results that the retailers, and

traders of the various products tested were aware that the products offered were not consistent with the labelling."

The ministry said yesterday that the action was being taken under the provisions of the Trade Descriptions Act and the Food Safety Act, although it had previously stressed that there was no safety risk from adulteration.

In its survey last year, the ministry found that only five of the 21 brands it tested consisted of pure orange juice as was claimed on the packaging. Some of the juices tested contained "pulpwash", which is produced by repulping orange juice.

Paul Cheeseright on how the city is preparing its case for a share of government development funds

THE CITY of Leicester is racing for a place at a government honeypot called City Challenge Two. The city's council, community groups, charities, educational institutions and business leaders are talking about what will go into a 5,000-word document appealing for £37.5m, spread over five years, out of that pot.

Leicester is one of a possible total of 57 competitors for Urban Programme funds from the Department of Environment programme to revive run-down areas. But only 20 can win.

Mr Michael Heseltine, environment secretary, has taken £150m a year out of his departmental budget for urban renewal and will make those funds available to the councils which can produce the best schemes concentrated on specified geographical areas and involving all sections of the local community.

This is City Challenge, the first round of which took place last year on an experimental basis. It is the Conservative government's main innovation in urban policy.

In spite of reservations about the competitive nature of City Challenge, local authorities have responded energetically.

What is happening in Leicester is being mirrored up and down the country.

Leicester City Council, in fact, was irritated that it had not been invited to take part in the first City Challenge.

Shortly after his appointment as the council's chief executive, Mr Imtiaz Farooqui seized the opportunity of a visit last summer by Mr Heseltine for a

contingent difficulty.

About 10,000 people live in the area. Unemployment has risen to around 15 per cent and of those who do have jobs, many are on low pay. There is a host of small employers. Ethnic minorities make up about 25 per cent of the local population, slightly below the city's average of 30 per cent.

Having defined the area, the next step was to set up an organisation which could draw up a development plan.

"We knew it had to be a partnership, so we made contact with the voluntary sector,

the university, the poly, the chief executive, the leader of the

county council and representatives from the Chamber of Commerce, the private sector and the voluntary groups, with others called in when needed.

By last November, the co-ordinating group was calling for proposals from the community.

From the 300 proposals which arrived, and from the comments which emerged at public meetings held in January and earlier this month, themes and concerns about Bede Island began to emerge.

They included housing, traffic, the environment, better play and child-care facilities, more jobs and better training facilities, a higher level of health care and crime prevention.

Now the pressure is to decide what precisely goes into the 5,000 words which will outline the Leicester City Challenge proposal. The final document will have to list what is hoped to be achieved by what means and in what cost.

There will be some large property projects, probably including, for example, new science parks close to the educational institutions and a new football ground for Leicester City.

There will also be many smaller projects in an attempt to answer the concerns already voiced in the community.

Time is running out. The final bid has to be at the Department of Environment by 5pm on April 22, shortly after the election.

But even if Leicester does not win a place at the honeypot, it will do the work at Bede Island anyway. It will just take longer.

matching problems and potential, it is likely to be the most effective [for City Challenge]," said Ms Sue Sanford, co-ordinator of the bid.

The area around Bede Island is a jumble. In the middle is Leicester Polytechnic, which is squeezed for space, and anxious to develop its campus and improve its student housing.

Leicester University is on the eastern edge. There are three scrapyards with their attendant environmental problems.

There is a canalised river running through it - "a potential tourist route but nobody stops on it," said Ms Sanford. Traffic

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Leicester University is on the eastern edge. There are three scrapyards with their attendant environmental problems.

There is a canalised river running through it - "a potential tourist route but nobody stops on it," said Ms Sanford. Traffic

is a continuing difficulty.

About 10,000 people live in the area. Unemployment has risen to around 15 per cent and of those who do have jobs, many are on low pay. There is a host of small employers. Ethnic minorities make up about 25 per cent of the local population, slightly below the city's average of 30 per cent.

Having defined the area, the next step was to set up an organisation which could draw up a development plan.

"We knew it had to be a partnership, so we made contact with the voluntary sector,

the university, the poly, the chief executive, the leader of the

county council and representatives from the Chamber of Commerce, the private sector and the voluntary groups, with others called in when needed.

By last November, the co-ordinating group was calling for proposals from the community.

From the 300 proposals which arrived, and from the comments which emerged at public meetings held in January and earlier this month, themes and concerns about Bede Island began to emerge.

They included housing, traffic, the environment, better play and child-care facilities, more jobs and better training facilities, a higher level of health care and crime prevention.

Now the pressure is to decide what precisely goes into the 5,000 words which will outline the Leicester City Challenge proposal. The final document will have to list what is hoped to be achieved by what means and in what cost.

There will be some large property projects, probably including, for example, new science parks close to the educational institutions and a new football ground for Leicester City.

There will also be many smaller projects in an attempt to answer the concerns already voiced in the community.

Time is running out. The final bid has to be at the Department of Environment by 5pm on April 22, shortly after the election.

But even if Leicester does not win a place at the honeypot, it will do the work at Bede Island anyway. It will just take longer.

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UK NEWS

ELECTION 1992

Gould unveils plans for 'fair rates'

By Andrew Adonis and Ivo Dawnay

LABOUR opened up a new campaign battleground yesterday when it turned its fire on the Conservatives' record on the poll tax.

Using the party's morning news conference to highlight the new 1992-93 tax rates, now being announced by local councils, Mr Neil Kinnock described the Tory party as "the poll tax party."

He went on to charge that Mr John Major, the prime minister, had claimed that he had been "bounced" into backing the tax while arguing as recently as last Wednesday that the principle behind it had been correct.

The Labour leader's attack was countered by Mr Michael

Heseltine, the environment secretary, who said that Mr Kinnock's alternative "fair rates" plan conflicted with his claim in the 1980s that rates were the "most unjust of all taxes." Mr Heseltine added that residents in Labour boroughs paid on average £54 more than those living in Tory controlled boroughs.

The clashes came as Mr Bryan Gould, Labour's environment spokesman, said that under the party's "fair rates" plans, unveiled yesterday, the tax bill for the average house holder in England would be £114 lower than under the government's proposed council tax.

On Labour's calculations, the council tax, due to replace the poll tax next year if the Conservatives are re-elected, would have resulted in a bill of £504 for the average property in England had it been in place for the 1992-93 financial year.

Mr David Blunkett, Labour's local government spokesman, argued that the £114 saving – taking the average bill to £390 – would come mainly from scrapping the single-person discounts payable under the Conservatives' plans.

He estimated a saving of £53 from ending the discounts, plus an extra £32 from savings in administering and collecting Labour's less complex tax.

The other £29 would come from discarding the government's proposed transitional relief scheme for those losing heavily from the change of tax.

Poor widows will look on with amazement as single millionaires receive most help under the Conservatives' proposed discounts," said Mr Blunkett.

"Fair rates" is a simpler tax than the council tax, so some savings are likely. It requires no system either for banding or for discounts. But the savings claimed by Labour depend on three assumptions: that the council tax will require a register, that Labour would introduce "fair rates" without transitional relief, and that there would be no discounts for at least the poorer single-person households.

Mr Heseltine has denied that the discounts would require a register. It is also unlikely that Labour would introduce rates with no transitional relief or rebates for single-person households. The real saving might, therefore, be considerably less than £114.

However, Labour claims that its rebate system would be more generous for the same cost as the government's.

LEADERS COMPARED TO COUNCIL TAX

	Labour proposal (£)	Saving from council tax (£)	Saving from poll tax (£)
City of London	211	2,157	149
Kensington/Chelsea	303	3,057	157
Harrow/Smethwick	407	648	93
Leicester	326	618	376
Greenwich	355	585	62

LEADERS COMPARED TO POLL TAX

	Labour proposal (£)	Saving from poll tax (£)	Saving from council tax (£)
Rochester	267	(282)	(82)
Broadland	415	(126)	104
Castle Point	513	(108)	33
Huntingdonshire	377	(95)	49
Chelmsford	488	(90)	36

Source: Labour party

Warning on Scots EC membership

By Bethan Hutton

MEMBERSHIP of the European Community would not be automatic or easy for an independent Scotland, Douglas Hurd, the foreign secretary, warned yesterday while campaigning in Edinburgh.

"Scotland could not slide out of the United Kingdom on Monday and slide into the Community as the thirteenth member state on Tuesday," he said. "The lawyers would have a series of field days. There could be many months or years of dispute and uncertainty."

Many European countries could put obstacles in Scotland's path as they would be reluctant to set a precedent for their own potential break-away regions, he said.

Destroying the union would be "an act of unparalleled vandalism", said Mr Hurd. He also attacked Labour's plans for devolution while retaining the level of Scottish representation at Westminster as "overwhelmingly self-serving".

Mr Hurd lunched at Scottish Life assurance, one of the Scots life business that has expressed fears over independence for Scotland.

At the Eric Liddell Centre, Mr Hurd's polite interest in babies did not sway a group of mothers. "I'm voting SNP," said one after he left.

Embarrassment at leaked letter

By James Buxton, Scottish Correspondent

THE TORY campaign in Scotland suffered intense embarrassment yesterday when Labour produced what appeared to be a letter from Mr Ian Lang, the Scottish secretary, to Mr John Major in which he spoke of using the Scottish National Party to split the Labour vote.

The letter, written on Scottish Office paper on March 3, also revealed disagreement between Mr Lang and Mr Major over election tactics. The key passage reads: "It is almost as important to us to keep the SNP at bay as it is to use them to split the socialist vote."

He said it would be difficult for Labour to discredit the booklet because it needed the arguments to attack the SNP. The booklet would also help to ride the SNP's budget proposals.

Mr Lang ends: "So with apologies for persisting on this occasion, I would ask you to reconsider publication while there is still time."

The booklet was published on March 9 at only a few hours notice and achieved much prominence in the Scottish media.

● The SNP yesterday attacked Labour's devolution plans. The booklet sets out more authoritatively than before how much money Scotland receives from Westminster and how much it contributes in tax.

It demonstrated that Scotland received substantially higher expenditure per head than other parts of Britain, and suggested that revenue raised

in Scotland was about £4bn less than the £22bn spent.

In the letter Mr Lang told Mr Major that he was "disappointed" that the prime minister and Mr Norman Lamont, the chancellor, had reservations about publishing the booklet. "We are engaged in a complex exercise to outflank other parties. This initiative could score against all of them."

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Covering up the tracks of privatisation

Richard Tomkins on the background to the Tory's change of heart over British Rail

B RITISH RAIL's branch line to the Cornish fishing village of St Ives is a poor advertisement for the Conservatives' record on the railways.

Granted, the 4½ mile spur off the London-Penzance main line at St Erth scores highly on scenic merit as it rounds the bird sanctuary of Lelant Saltmarsh to reveal a panoramic view of St Ives Bay. But the train that runs on it is a museum piece. Comprising one rattling, rumbling, 35-year-old railcar, it is quaintly described in BR-speak as one of its "heritage" trains. In anybody else's language, it is clapped out.

The once-bustling station at St Ives has been razed to make way for a car park. There are no station staff, and the only shelter for passengers is a rude hut – a description taken all too literally by those who have adopted it as a public urinal.

Under this scheme, the railways will remain in state ownership, but private sector operators will be allowed to run trains on BR tracks. They will also be invited to bid for franchises to take over the operation of existing BR services – possibly groups of services, such as the old Great Western

ties they serve the fear of closure is never far away.

It is against this background that the Conservatives have backed down on promises to privatisate BR. Voters know that it is not just the branch lines that lose money: for all BR's economics and productivity improvements, only a handful of its busiest InterCity services turn in a profit. Talk of privatisation is indistinguishable from fears that the private sector would swiftly eliminate loss-makers.

Thus, after months of promising a white paper on BR's privatisation, the election has obliged the Conservatives to retrench. Significantly, the railways section of their manifesto published this week avoided any mention of the word privatisation. Instead, it offered the rather less threatening notion of franchising.

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One man with a mission to win

Ivo Dawnay says shadow chancellor John Smith is crucial to Labour

IT WAS the moment when Labour's 1992 campaign revved its engines at the start of the electoral runway and prepared for take off.

Everyone in that crowded Westminster lecture hall on Monday knew that a single overlooked technical glitch in the shadow Budget could start the party off with a potentially fatal belly-flop. Yet, under the scrutiny of the sceptics, Mr John Smith's bird flew.

Seldom, if ever, can an election campaign have depended so much on a single event or the personality of a single individual. Yet with the economy, tax and spending at the very core of the election, the shadow chancellor has already proved an asset at least as crucial to Labour as Mr John Major is said to be for the Tories.

This is not to say his Budget is flawless. Economists have criticised the wisdom of its tax bands, its impact on the not-so-rich and a number of evasions in the fine print.

But the very fact that yesterday – five days after it was unveiled – the Conservatives were promising to dedicate all their firepower "day after day, on and on and on" as one campaign put it, to discrediting its prescriptions is a weighty tribute to its political acuity.

Alongside the first two colleagues, Mr Smith is a hawk among argus. His stocky physique and owl-like features exude a confidence and power that lend much-needed gravitas and morale to the entire Labour team. He is comfortable with himself and appears wholly undaunted by the prospect of taking on a post that has defeated so many.

Much has been written about the shadow chancellor's reassuring Scottish burr and bank-manager demeanour. But his public image is now a critical component in the campaign. No other member of Labour's shadow cabinet could have delivered a shadow Budget that added to, not detracted from, Labour's credibility.

If Mr Neil Kinnock pledges that Labour will not devalue the pound, he is largely ignored. If Mr Smith does so, he is at least given a serious hearing.

When Mr Norman Lamont says Labour will put up taxes, interest rates and inflation, and Tory posters argue "You can't trust Labour", a camera shot of Mr Smith's contemptuous disapproval is the Opposition's most effective reply.

The FT poll of businessmen's attitudes this week showed that clear majorities believed a Labour government would raise interest rates, devalue the pound and put a brake on investment. Yet Mr Smith cut-polled Mr Lamont by 45 points to 39 points as likely to make the better chancellor.

That comendum is hard to explain. One merchant banker suggested yesterday that while some dislike Mr Smith's vocal championing of such redistributive policies as a national minimum wage, there is a con-

temptation in the City that he is, as Mrs Thatcher said of Mr Mikhail Gorbachev, "a man we can do business with".

Mr Smith cut-polled Mr Lamont by 45 points to 39 points as likely to make the better chancellor.

The MP for Monklands East has had plenty of time to hone his act. He has been deployed, not just on the City's prawn cocktail circuit of boardroom lunches, but in Europe, Japan and the US.

This week his lawyer's



A lot on his hands: John Smith's confidence and power give Labour much-needed gravitas

debating skills were targeted at radio and television audiences. In his Panorama debate with Mr Lamont, he was widely credited with looking more convincing.

On party election broadcasts and throughout the campaign, he will be systematically used to promote Labour's image as a government-in-waiting.

If Mr Kinnock fails to cross the threshold of 10 Downing Street, there is no question

that his shadow chancellor will run for and, barring unforeseen disaster, win the Labour leadership. Though an old-fashioned right-winger, his genuine indignation at poverty and his lack of "side" has won him strong support even on the hard left. As Mr Ken Livingstone said earlier this year in the ultimate tribute to Mr Smith's political skill: "The thing about John is he has no real enemies."

There is no credit in achieving lower inflation than Germany for one month when Britain is in the depths of recession and Germany has just reached the top of its boom.

Alan Beith, Liberal Democrat Treasury spokesman

The Royal Navy will face massive cuts under the other two parties, that is clear

Tom King

Down below hard-style socialism has been brooding and bubbling. Now it is coming to the surface.

Kent-a-mob in Bolton market, mug-the-middle incomes on the Treasury steps

John Major

...and the rest is history

UK NEWS

ELECTION 1992

Tories keep up tax attack on Labour

By Alison Smith and Andrew Jack

LABOUR'S tax proposals will continue to be the Conservative party's main target as the second week of the election campaign gets under way.

Mr John Major, the prime minister, made that clear in his adoption speech in his Huntingdon constituency last night, when he described Labour's shadow Budget as "the tip of a gigantic iceberg".

His attack came as the Conservatives prepared to publish today a new costing of Labour's manifesto promises. Previous Conservative estimates of Labour's programme – at £235bn and £275bn successively – have been ridiculed by Labour.

Yesterday, Conservative Central Office hit back at Labour's blueprint with a critique of the impact of the tax

proposals in the shadow Budget.

The eight-page Tory document argues that those who gain under Labour's proposals will benefit by a small amount, while many middle-income families will lose. It says top rates of tax in other European countries affect only those with high incomes.

"Most of it is factual," said Mr Steve Webb from the Institute for Fiscal Studies, though he said the statistics in the document did not give the whole picture.

The Tories quote the institute as saying that families would on average be £136 a week worse off under Labour than under the Conservative Budget proposals. But Mr Webb says otherwise. His calculations show that 48 per cent of families would be better off

under the shadow Budget, while 17 per cent would gain under the chancellor's Budget.

The document ridicules the idea that Labour taxes would take from the rich, and suggests that many "ordinary middle-income families" will suffer.

It quotes from the government's April 1991 New Earnings Survey figures, which shows that the proportion of the population earning over £360 per week was 28.7 per cent in England as a whole, 38.4 per cent in the south-east and 45.1 per cent in Greater London.

But these figures are for full-time adult working males, and do not take women into account. The proportion of full-time working women earning over £360 a week in Greater London, for example, is only 19.9 per cent.

How proposals compare

By Edward Balls

EUROPE, a touchy subject for both main parties, has hardly been mentioned in the campaign – neither Labour nor the Tories has an interest in opening old internal wounds. But this has not prevented both sides from exploiting European comparisons.

On Thursday, Labour had made much of the UK's relatively high unemployment rate – only Spain and Ireland have a higher rate. Yesterday was the Tories' turn. Conservative Central Office retaliated with an attack on Labour's shadow Budget, claiming that it will raise the tax burden for upper income earners relative to the rest of Europe.

Making claims about differences in cross-country tax structures is easy, but actually producing the evidence to prove or disprove the claims is horribly difficult.

The complexities of the UK tax system are nothing when set the arcane French and German social security tax structures. Moreover, internationally comparable and up to date

figures on incomes earned or taxes paid are hard to find.

Labour's tax plans, the Tories argue, will keep a heavy burden of the tax burden on middle-class tax payers. The chart above compares the marginal tax rates, including national insurance contributions, that will face a single earner under Tory or Labour Budgets compared to marginal tax rates in Germany.

Marginal tax rates usually measure the amount of tax a single person pays on each extra pound, D-Mark or franc earned. This lower section of the chart shows alongside it is unusual because it stretches and compresses this money income scale to show the marginal tax rate faced by the poorest 10 per cent of wage earners, the median group of wage earners and on up to the richest 10 per cent.

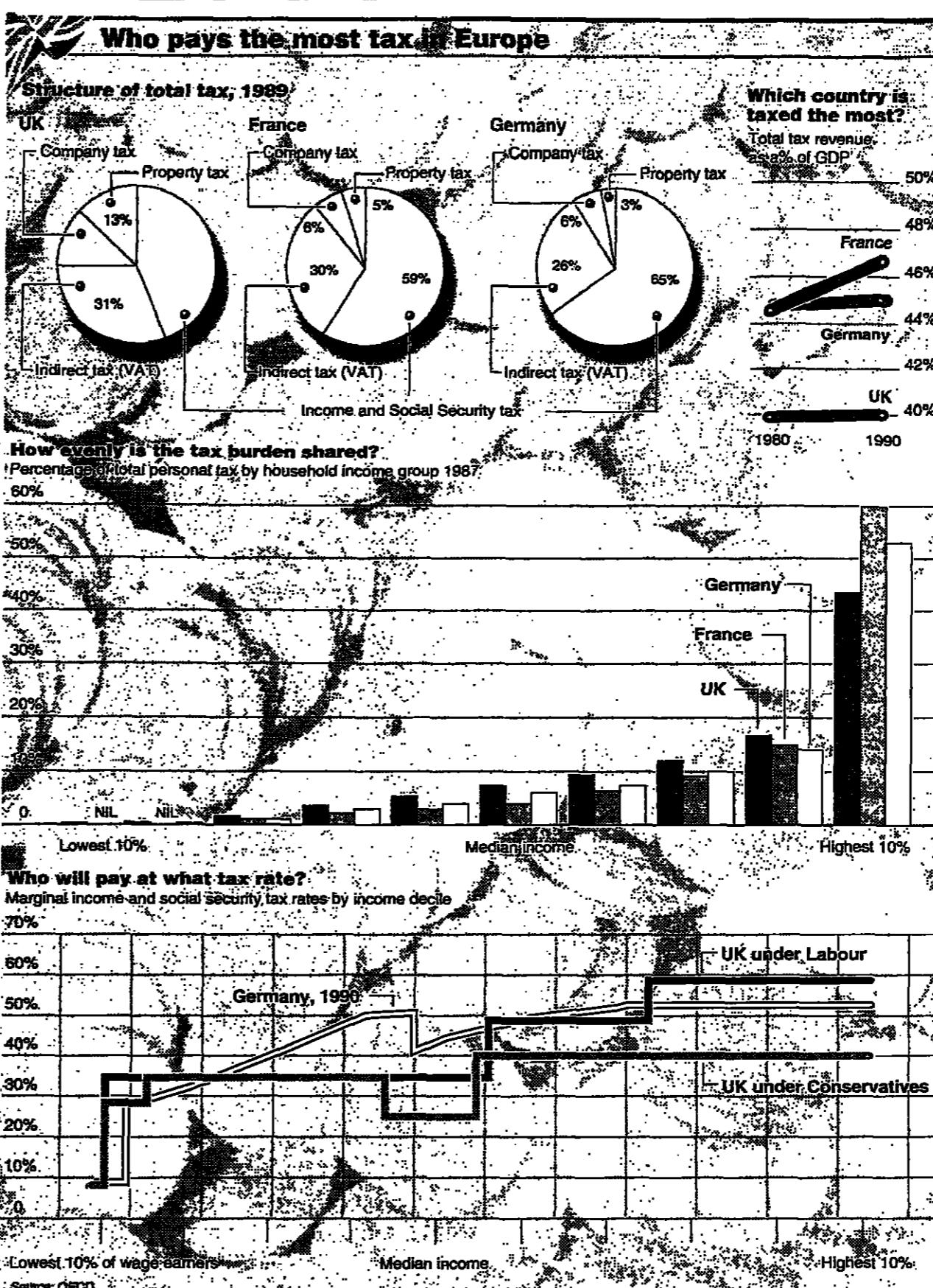
The top tax rate under Labour is higher than under the Tories or in Germany. But the striking feature is the relatively high marginal tax rates faced by lower and middle

income German tax payers compared to those expected under either a Labour or Conservative government.

The remaining charts provide a historical perspective on the current debate. The UK, compared to France and Germany, has been relatively lightly taxed throughout the 1980s. Total UK tax burden as a percentage of GDP was 40 per cent in 1990, marginally higher than in 1980 – the Tories' first full year in office.

The UK has also traditionally raised less of its total tax incomes from personal income and social security taxes than in other European countries, instead taxing companies and property more heavily as the other charts show.

For much of the 1980s the personal income tax burden was more evenly shared in the UK than elsewhere in Europe. In 1987, the richest 10 per cent of UK households paid 43.4 per cent of total direct taxation compared to 53 per cent in Germany and 60 per cent in France.



Middle managers could still work under Mr Smith

If Labour wins, would its tax increases demotivate managers and damage the economy? Cedric Sandford thinks not

BY RAISING the top marginal tax rate for employees from 40 per cent to 50 per cent, Labour's tax increases are almost a mirror image of those in Mr Nigel Lawson's 1988 Budget, when he cut the higher rate of income tax from 60 per cent to 40 per cent.

A research study on the effects of the 1988 cuts provides some clues to the likely effect of Labour's proposed increases. The study by the late Professor Chuck Brown and the author was based on interviews with 316 accountants in private practices spread across London, the south-west and mid-Scotland. The response rate was 65 per cent.

Accountants were chosen because they were mostly higher-rate taxpayers, knowledgeable about tax and in a position to vary their workload.

They were asked whether there been any change in their working hours, holidays, the amount of work taken on outside the practice and the amount turned down in the practice. Those over 45 years old were asked about any changes in retirement plans.

The interviews took place in 1989-90 and the questions concerned the year before and the year after the 1988 Budget. In the initial stage, 'tax' was not mentioned by the interviewer.

Nearly a quarter of accountants whose tax rates had fallen by at least 5 per cent said they had spent more and a similar proportion said they saved more.

On clients' behaviour, the most significant response was that 30 per cent said clients were now less concerned with tax avoidance and more concerned with the economic merits of investment decisions.

How far can these findings be reversed in respect of the Labour party proposals? Clearly, the world is not the same as it was in 1988; nor are Labour's proposals a precise

reversal for top income-tax payers of the 1988 cuts. Nonetheless, the 1988 findings are very relevant.

There is no reason to doubt the central message of the 1988 findings – that there will be some disincentive effects and some incentive effects – but the net effect on work effort is unlikely to be significant. This conclusion is supported by earlier research findings.

MANY of the "middle managers", about whom top businessmen have spoken with such passionate concern, may well wish to work more, not less, in order to pay their high mortgages and their school fees – if that is, they are in a position to increase their pay by working more.

Of course, many managers cannot respond in this way. This is less true for the self-employed, but so far Labour has made no proposals to raise their national insurance contributions. The top marginal tax rate for the self-employed under Labour would be 50 per cent, not 59 per cent.

It is also necessary to maintain a sense of proportion. Even at 59 per cent, the combined rate of National Insurance contributions and top income tax would be lower than the rate which has applied at any time since the second world war, except for the period 1988-92.

On the other hand, many other countries have cut direct tax rates in recent years; 59 per cent represents a relatively higher rate in 1992 than it did in the early 1980s.

Our analysis suggests that the most potentially damaging effect would be to increase tax avoidance, which might distort investment patterns, as well as

reducing expected tax revenue. The tax avoidance effect, however, should be mitigated by the fact that returns on savings and investments will not be affected by extra national insurance contributions: the proposed top rate on investment income is 50 per cent.

In recent years, many tax avoidance loopholes have been closed, and since Labour plans to tax almost all fringe benefits to employers' national insurance contributions, one obvious potential opportunity has also been discouraged.

But Labour has not said what it proposes on capital gains tax (CGT). If it continued to be charged at the taxpayer's top marginal rate of income tax (50 per cent), it would be exceptionally high by international standards, and would be likely to encourage investors to lock in to their investments, to

the detriment of capital mobility.

On the other hand, if the link with income tax were broken at a maximum 40 per cent, new possibilities of tax avoidance – through conversion of income to capital gains – would emerge. But too much should not be made of this. Because of the separate CGT threshold, the present link is not water-tight; and, throughout most of the life of CGT we have lived with much bigger differences between the rates of income tax and CGT.

All in all, the evidence from our study suggests that the increases proposed by the shadow chancellor would be highly unlikely to cause significant disincentive or other serious detrimental effects.

Professor Sandford is the former director of Bath University's Centre for Fiscal Studies.

Inspiration from meditation plan

By Gary Mead, Marketing Correspondent

A NEW person entered the election race yesterday, spending about £1m on full-page national newspaper advertisements and promising to field candidates in all 651 constituencies.

The Natural Law Party, launched less than a week ago, bases itself on the teachings of the Maharishi Mahesh Yogi, the founder of the Transcendental Meditation programme and two universities.

Party official Mr Peter Warburton yesterday declined to give any details about financial backers.

He said the party, whose lengthy manifesto was published in national newspapers yesterday with photographs of 119 election contenders, would have candidates for all 651 seats by next Wednesday, which is the final date for registration.

The candidates would be putting up their own deposits.

Mr Warburton said the party's aim was to introduce an ideal system of administration to the country.

Sheridan does it from prison

There will not be a news conference to match that being staged on Monday by Tommy Sheridan, the anti-poll tax campaigner standing for Glasgow Pollok. Sheridan is holding it inside Saughton prison, Edinburgh, where he is serving six months for breaching a court order.

Mr Warburton refused to comment on plans for further advertising, though he said that the party had formed a nationwide fund-raising organisation called The Heaven on Earth club.

He said the party depended on unnamed well-wishers for donations, including about 180,000 people in the UK who have studied transcendental meditation under the Maharishi's guidance.

The party has a slogan – "Only a new seed will yield a new crop" – and its symbol is a rainbow.

Its leader is Mr Geoffrey Clements, who holds the post of professor of physics at one of the Maharishi's universities.

disrupting warrant sales – sales of the possessions of those who had not paid the poll tax.

The last person to stand for parliament from prison, in 1981, was Bobby Sands, the IRA hunger striker. Sheridan's supporters prefer the example of John MacLean, a Red Clydesider who stood from Peterhead prison in 1918.

Healey's pips

Denis Healey offered to pay £10 on BBC Breakfast News yesterday to anyone who can prove that he said "I'll squeeze the rich until the pips squeak" when he was chancellor of the exchequer. We can't do that, but we can offer the original image: "We'll get everything out of her that you can squeeze out of a lemon and a bit more ... I'll squeeze her until you can hear the pips squeak." That was Sir Eric Geddes as first lord of the Admiralty in 1981. He was talking about Germany.

The day after

Neil Kinnock's green credentials may come under early strain if he wins the election. The Labour party leaders down to appear in Westminster Central Hall in support of the Earth Summit in Rio on April 10. A victorious Kinnock might have more

pressing engagements on his hands. One of his fellow speakers is scheduled to be Paddy Ashdown, who may also be otherwise engaged – bargaining with Kinnock perhaps.

Michael Heseltine is billed to appear as well but, unlike the others, he is described as "invited but yet to confirm". Does this mean that the environment secretary is more confident about the election outcome than the others – or less?

Silver service

Bolton House has finally got its silver back. When Mrs Thatcher became Prime Minister, she was appalled at the poor quality of the porcelain and plate on hand at Downing Street to service visiting world leaders. She coveted the fabulous 18th

century Brownlow silver, the pride of Bolton House, an ancestral seat close to her Giggleswick home.

Lord Brownlow was only too happy to oblige and loaned some of the service to Number 10. Then, a few years later, he decided to become a tax exile and sold up with the National Trust acquiring both house and contents. The Trust was shy to ask Mrs Thatcher for its silver back, but once John Major was installed in Downing Street there was no problem. He has commissioned modern British crafted silver and was happy to send back the antique stuff.

The National Trust has discovered that the silver has been well used. When the public sees the collection from April 1, it will be easy to spot the pieces off which the famous fed at No 10.

Old pro

The Liberal Democrat candidate in Sunderland North, Vic Halom, has fallen on his feet. The city football team has reached the semi-final of the FA Cup. Halom was a member of the side when Sunderland last won the final in 1973.

Silent Mudd

David Mudd, whose decision not to seek re-election as

Conservative MP for Falmouth and Camborne provoked little comment, could have left Westminster with more of a bang.

He has revealed that he

resigned the Conservative whip in February last year in protest against the government's refusal to help the Cornish tin industry. Mudd did not announce his decision to break away from the Parliamentary party and sit as an independent Conservative at the time.

A former soldier, Mudd did not wish to rock the boat for Sebastian Coe, the Olympic gold medallist who had already been adopted as the prospective Conservative candidate for the constituency.

Real oratory

Michael Foot explained on Channel 4's *A Week in Politics* last night why he will become the first leader of the Labour Party since the war to retire from the Commons and not go to the Lords. It is not just that he wants to abolish the upper house.

There are other places to speak," he said. "Hyde Park Corner or Tower Hill where Donald Soper speaks lots of good places to speak, much better than the House of Lords. Much better audiences at any rate."

All of which bore out the general point that, as Lyn said,

"The Martins, the FT's floating voters introduced last Monday, have been unswayed by the first week's campaigning

Viewers left cold by heated polemic

THE FIRST week of the campaign has done nothing to clarify the issues and the Martins one way or the other. If anything, the question has been made more complicated by the heat of polemics and by the rush of contrary promises. But the parties' portrayal of themselves and their personalities through television has been reaching Lyn and Tony and their son Russell, who is voting for the first time.

Paul Cheeseright pays his second visit to the Martins, a family in the west Midlands. When the campaign started, they had not decided who they would vote for

The Liberal Democrats' attempt to push Mr Ashdown forward as a civilising political influence clearly attracted Russell. "He's the thinking man's politician." And Mr Major has come across just as intended: the man who somehow understands "I like the man because he's been there and done it. He's seen life on the streets," said Russell.

Yet they like Mr Kinnock more than previously. "Neil Kinnock has changed his image in the last few days", said Tony. "He got a bad press early on. He's mellowed his attitude."

"He's talking to you instead of at you," noted Lyn, with implied approval of Labour's pitch that the party is not just Neil, but Neil at the front of the team.

And because the Martins want to be talked to, to be reasoned with, they are getting pretty fed up with the hectoring of the campaign. "Some of the programmes that have been on the TV. Ridiculous," snorted Tony. "They're just slagging each other off."

"All one is concerned about is knocking the other one," added Lyn, with particular reference to the televised confrontation between Mr Roy Hattersley and Mr Michael Howard on Central TV last Monday, with Mr Tom McNally of the Liberal Democrats stuck in the middle. Monday was also the day of Labour's alternative Budget.

The Martins had been dismissive of Mr Lamont's real one and they were not much more complimentary about Mr Smith's effort. "Both parties are doing something about the taxes," Lyn acknowledged. But comparing the two, "there wasn't a lot in it as to how it would work out for us".

That is largely because, with a gross income of around £20,000 between them, Lyn and Tony are neither poor enough nor rich enough to be much affected by tinkering with the tax of either the low-paid or the high-paid.

Russell, though, likes Labour's plan for 50 per cent tax on incomes over £40,000. "That is a really good idea. It helps even things out a bit."

By Thursday, the concern of the Martins had swung back to schools, if only because they spent the evening at a parent-teacher meeting on behalf of Westley, 14, their second son. He goes to Lyndon School in Solihull. Lyn and Tony are very happy with both Lyndon and St Margaret's Church of England Primary, where, Keeley, 10, their daughter goes.

This means they are ambivalent about the sort of changes Conservative policy might bring about. They have no problems about the core curriculum and enthuse about spending more on education. But opting out is more

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Labour's tax error

IF THERE is little to separate the main parties in their overall economic stance, the same cannot be said for their taxation policy. Now that both parties have published detailed budget plans, voters can choose between two clearly diverging approaches on taxation.

Whichever party wins the election, most employees will continue to pay tax at a marginal rate of 34 per cent: income tax at 25 per cent, plus 9 per cent national insurance contributions (NICs). If the Conservatives are re-elected, the top rate of tax on income and capital gains will remain at 40 per cent, at the bottom of the range for EC countries.

This structure was put in place by Mr Nigel Lawson's 1988 budget and has created a simpler and more transparent tax system. Distortions have been reduced by eroding the differences between the tax treatment of income and capital gains and between corporation tax and income tax. Together with the gradual elimination of many tax breaks, the ground has been greatly cut from under the tax avoidance industry.

It is a pity that nothing has been done to remove the dip in marginal rates from 34 per cent to 25 per cent at the £21,000 upper earnings limit for NICs. And the chancellor's proposal for a new lower rate income tax band of 20 per cent, while it may have seemed politically astute, will yield small benefits for taxpayers on low incomes while creating an administrative tangle. If he wants to help those on low incomes, Mr Lamont should steal Labour's clothes and replace the 20 per cent band with higher personal allowances.

Sharp change

However, the Conservatives deserve credit for having modernised and streamlined the UK tax system since 1979. Labour, in contrast, would introduce a sharp change of direction, with a significantly redistributive programme which requires a return to much higher marginal rates.

To raise almost £50m of additional revenue, an additional 50 per cent tax rate would be introduced on earnings in excess of £40,000 a year, and the NIC upper earnings limit would be removed. This effectively adds another 9 per cent tax to all earnings over the limit. For employees there would be three tax rates: 34 per cent on taxable income up to £23,700; 49 per cent on taxable income between £23,700 and £36,375; and 58 per cent on the rest.

A top rate of 58 per cent is not so very different from

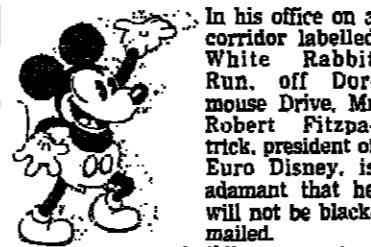
those charged in countries such as Germany and France. And even in the UK, the top rate of tax was 50 per cent until 1988. But the higher rates would bite at much lower income levels than abroad or even in the 1970s, when Mr Denis Healey squeezed the rich. Taxpayers on less than twice average earnings would start paying tax at 49 per cent and the new top rate of 58 per cent would bite at less than three times average earnings. There would be far fewer of the exemptions and tax breaks which made Mr Healey's even higher tax rates largely fictional.

Salary inflation

The Conservatives will rightly make much of the impact of such an increase in taxation. While there are arguments about the impact on incentives, a higher tax regime will not encourage an enterprising culture. Salary inflation is inevitable. And the effect of such tax rises on the budgets of 17 per cent of households which would face them would be very painful. It is inconceivable that this would not have a delaying effect on economic recovery – especially in the already depressed housing market.

The purpose of the shadow budget was to defuse what the Conservatives have dubbed "Labour's tax bombshell" – the fear among voters that Labour would put up taxes across the board. By demonstrating to the majority that they have nothing to fear from a Labour government, it may have done the trick. But as the details sink in throughout the more affluent areas where it will bite hardest, the increases could deny Labour victory in key marginals. The proposals do, after all, offer a strong incentive to a quarter of voters in London and the south-east not to vote Labour. If that happens, Mr Smith's tax gamble will have failed, and Labour will pay the price for its misjudgment.

Labour's strategists would be wise to think beyond such immediate electoral considerations. There is an implicit contract between government and taxpayers that sudden, large increases in taxation should be avoided. A blind spot on this point led to the poll tax blunder. Labour appeared to recognise the argument in its policy review documents, when it promised that tax changes would be introduced in ways which did not disrupt household budgets. Mr Kinnock still has time to fulfil that pledge. If he fails to do this, wavering voters will conclude that he should not be the next prime minister.



In his office on a corridor labelled White Rabbit Run, off Dormouse Drive, Mr Robert Fitzpatrick, president of Euro Disney, is adamant that he will not be blackmailed.

Sixteen French building contractors say that Euro Disney owes them money. Some have issued veiled threats that they will disrupt Euro Disney's grand opening on April 12. Mr Fitzpatrick is examining their claims. But, he says: "I think it is important to tell these companies they can't get away with sloppy work."

The outburst is angry, but uncharacteristic. Generally, Mr Fitzpatrick is as unflappable as the floor-to-ceiling Mickey Mouse tapestry on the wall of his office at the nearly completed resort at Marne-la-Vallée, 32km east of Paris. The 16 companies aside, he is delighted with the progress of Euro Disney. He has reason to be.

He will not need to reset his brightly coloured 'countdown to the magic' wristwatch which tells him how many days there are until the opening. Large construction projects, such as the Channel Tunnel, almost always open late, having overshot their initial budget. But Euro Disney, Europe's largest leisure complex, featuring such attractions as the Big Thunder Mountain Railroad and Dumbo the Flying Elephant, is set to open on time and to its budget of FFr22bn (£2.35bn).

In the five years since Disney, the US film, entertainment and merchandising giant, signed an agreement with the French government to construct Euro Disney, it has assembled 700 contractors and an additional 1,000 suppliers to build 30 theme park attractions, a man-made lake, two riv-

Euro Disney says it has worked hard at overcoming the difficulties posed by the gloomy Parisian winters

ers, six hotels with a total of 5,200 rooms, a campsite, a golf course and an entertainment centre. Most of the contractors had not worked for Disney before: 36 per cent were European. At peak building periods, there were up to 89 cranes on the 1,500-acre site and 11,500 construction workers.

To welcome a projected 1m visitors in the first year, Euro Disney has recruited a staff of 14,000 "cast members", representing 75 nationalities and speaking 40 languages.

And this is only the start. Disney has plans for its French site which will take it up to 2017. They include the opening in 1995 of Disney MGM Studios Europe, with film and television production facilities and a movie theme park; a convention centre; a water park; a second golf course; and 13,000 more hotel rooms.

Euro Disney has not been the only impressive performer. From the covered, moving walkway which will carry visitors from the 12,000-space car park to the site, the roof of a brand new RER suburban-line railway station is visible. Due to open at the beginning of April, it will enable visitors to reach the park from central Paris in 40 minutes. A station for the high-speed TGV train, located inside the resort, is expected to open in 1994.

The co-operation of the French government in providing the infrastructure to serve the park has been crucial to Euro Disney's initial success, Mr Fitzpatrick says. The planning and work has continued under four prime ministers: Mr Laurent Fabius, Mr Jacques Chirac, Mr Michel Rocard and Mrs Edith Cresson. Each of them appointed an interministerial dele-

Euro Disney must overcome the climate and competition from US counterparts to achieve commercial success, writes Michael Skapinker

Europe joins the Mickey Mouse club

gate' to ensure co-operation between Euro Disney and all the public authorities involved.

According to Mr Fitzpatrick, who helped organise the 1984 Los Angeles Olympics, a dispute with a handful of contractors is relatively insignificant in a project the size of Euro Disney.

There have been other pin-pricks. A French labour inspector has asked a French law to examine the legality of the Euro Disney Look, the company's dress code. This stipulates that cast members must wear "proper undergarments": that hair must not be bleached, tinted, frosted or streaked; that moustaches and beards are not permitted; that "due to close contact with guests and fellow cast members, the use of a deodorant or antiperspirant is required"; and that "sunglasses are a block to interpersonal communication with the guests and should be avoided when possible". Staff are told that "as a condition of your continued employment with Euro Disney, you are responsible for maintaining an appropriate weight and size".

Mr Fitzpatrick says he is confident the Euro Disney Look conforms with French law. Turning the 14,000 new employees into Disney cast members does, however, present the company with a new challenge: it has never had to manage a multinational workforce before. Its two theme parks in the US, in Orlando, Florida and near Los Angeles, employ mostly Americans. Its third park, Tokyo Disneyland, which opened in 1983, employs Japanese.

Of the European employees, 65 per cent are French, 11 per cent are British, 4 per cent are Dutch and 3 per cent are Irish. French and English are the two languages of Euro Disney. Although bilingualism is not an absolute requirement of employment, 80 per cent of the staff speak English and 80 per cent speak French.

The question of whether European employees will take to Disney's celebrated service-with-a-smile culture provoked a second flash of irritation from Mr Fitzpatrick. The quality of service at Euro Disney is already "fantastic", he says. The idea that such standards are not achievable in Europe is "a Euro-myth, a self-defeating, self-critical myth that astonishes me. It's not a question of nationality. It's a question of the company and what it values. You communicate in a thousand different ways what are the values of the company."

Mr Fitzpatrick says he leads by example. If there is litter by the ground he picks it up. He gives every appearance of living up to Disney's squeaky-clean image. It would be churlish to point out that he smokes.

Like all other members of staff, he wears an oval plastic badge, with a picture of Mickey Mouse at the top and his name, Bob, in large letters in the middle. As the Euro Disney Look says: "We are a first-name organisation." When he walks around the site, he says, French staff give him a cheery "Salut, Bob."

However, the cast members being conducted past the pink timber exterior of the Disneyland Hotel a few



weeks before opening, look anything but cheery. Squinting into a howling wind, they clutch the hoods of their coats around their faces as protection against the driving rain. And this is March. What will January be like?

The north European climate looks like being the biggest potential obstacle to Euro Disney's success. Unlike many other European theme parks, Euro Disney will be open all year round. Euro Disney says it has worked hard at overcoming the difficulties posed by the gloomy Parisian winters and unreliable summers.

Building on the experience of Tokyo Disneyland which, the company says, has to cope with even worse weather, many of Euro Disney's attractions will be indoors. Ticket booths at the

entrance to the park will be under shelter on the ground floor of the Disneyland Hotel. The park's Main Street USA will contain indoor arcades running parallel to the street.

Mr John Forsgren, chief financial officer, says that good winter attendance will be crucial to Euro Disney's success. For much of the summer, Euro Disney expects to be bumping up against its daily capacity of 60,000 visitors. Improving annual profits will therefore depend on increasing winter visitors.

In the company's first financial year, to September 1992, Mr Forsgren expects the company to be profitable after interest payments, although he will not put any figure to his forecast. Mr Paul Slattery, an industry analyst

at Kleinwort Benson in London, says that in the first year, which does not include a winter season, he expects Euro Disney to have net profits of FFr246m. He does not expect much improvement in the second year, which includes both a winter and a summer season.

Mr Forsgren agrees that Euro Disney will do well to break even in the period between October 1992 and March 1993 and might make a small loss. If attendances are low in the winter, Disney will offer special events and prices to attract visitors.

The problems of the winter do not seem to worry shareholders. Since Euro Disney's hugely over-subscribed offering of 51 per cent of its equity in October 1989, the shares have shot up from FFr772 to close in Paris yesterday at FFr161.2. At this level they are a very expensive 130 times greater than expected first-year earnings per share.

The performance of the shares worries Mr Forsgren. "It's a bit much. We've actually been cautious with investors. We've asked people to be realistic about what we can achieve in the first year," he says.

Mr Forsgren, formerly treasurer of the parent Disney company, says, however, that communicating with European investors is more difficult than many US executives realise. "The markets in Europe are much less efficient than in the US. The process of conveying information is much slower. You don't have the security analyst coverage you have in the US. You can't assume that, having made a statement in a speech, all the major investors are going to get that message. You make a speech in London and, two months later, it's news in Germany."

He says that Euro Disney could break even with as few as 8m or 9m visitors a year. The key would be a reduction in labour costs. The high turnover in theme park staff makes it relatively easy to reduce employee numbers when necessary, he says.

Some people join with the intention of staying only for a season. Others simply decide they don't like the work. For whatever reason, it happens in a fairly new company.

Despite the economic downturn, which is affecting much of Europe, Euro Disney says it is confident it will meet its first-year target of 1m visitors. Half are expected to come from France, with guests from the UK, Germany and the Benelux countries making up the rest.

Travel companies seem equally confident. P&O Ferries says it has already sold between 70 and 80 per cent of the Euro Disney holidays it has available for the first three months after opening. British Airways Holidays says it has sold about 40 per cent of its summer Euro Disney holidays and about 25 per cent of the packages available for the first year.

P&O's packages range from £50 per person a night to more than £90, depending on the class of hotel and time of year. British Airways' packages, which include air fares from the UK to Paris, range from £83 a person per night to more than £100.

Euro Disney says it expects visitors to stay for a shorter time than European guests at its US theme parks. A winter trip to Walt Disney World in Florida, already popular with UK and German visitors, is, however, not much more expensive. Packages range from £65 a night to £150.

Mr Forsgren believes that Euro Disney's main competition will come from the alternative attraction of European living rooms with television sets in them. During a grim European winter, however, the Florida sunshine might be more enticing than either Euro Disney or television. Euro Disney's stiff competition might turn out to be its sister parks.

MAN IN THE NEWS

William Purves

Dour Scot with an empire from east to west

By Simon Davies

taste on the Peak, the island's most exclusive area.

By contrast, employees claim that Mr Purves has been known to fly economy class. He sees the Hongkong Bank as an institution where Scottish banking principles offer a good model, and hard work and loyalty are the keys to success.

The principles Mr Purves reveres include common sense, frugality and conservatism, although occasionally his puritanism can rub people up the wrong way. When the Bank of Credit and Commerce International collapsed, he angered local BCCI depositors by accusing them of greed for having been attracted by that bank's slightly higher interest rates.

In this respect, he differs from his more flamboyant predecessor, Sir Michael Sandberg. Sir Michael's nine-year reign as chairman left the colony with numerous monuments to the bank's glory, such as the HSBC Hongkong Bank building, with its unused helicopter landing pad, and a palatial residence of questionable



itself ample time to consider the wisdom of a move on the mainland. He sees the Hongkong Bank as an institution where Scottish banking principles offer a good model, and hard work and loyalty are the keys to success.

Mr Purves still calls in new trainees and makes a valiant effort to remember all their names – a significant task, as the bank has 14,900 per cent staff in the bank more than four years ago.

The gestation of the deal had been longer still. On the day that Mr Purves' appointment as chairman was announced in December 1985, he said: "If the opportunity arose we would like to do more in Europe, but it's not something that's likely to present itself in the immediate future."

He became chairman exactly 30 years after leaving the National Bank of Scotland's Kelso branch for the Hongkong and Shanghai Banking Corporation. He had then worked his way through the hierarchy, being a rugby-playing Scot who provided a slight edge in a bank with a strong Scottish contingent. He stresses, however, that he has got where he has by dint of hard work and being fair. Few of his colleagues agree with this.

Mr Purves claims the paternalistic image of the bank is overplayed, but it clearly

mittee. But the burden on Mr Purves has been relieved to an extent, through the appointment of the deputy chairman, Mr John Gray, as chief executive of Hongkong Bank.

Mr Purves, therefore, has had more time to concentrate on the difficulties caused by the bank's operations outside Hong Kong. Hongkong Bank has allowed its overseas operations to run with a large degree of autonomy, which has sometimes backfired in the last two years. "When you put someone in charge, you should let them get on with it. But there have been problems and we have sadly had to make changes. I have been accused of being too slow to make those changes, but you have to give people the chance," says Mr Purves. For example, Mr John Bond, a director of the bank, has been sent to the US to turn round a subsidiary, Marine Midland.

But Mr Purves says this does not reflect a change in management style. Marine Midland would, in the main, be left to run itself under the existing regime. There is speculation that Mr Purves may relocate to London to control the growing bank empire from the City, but he is non-committal, stating that he will do what his board wants him to.

But he also says he is getting old and is looking towards retirement. Friends suggest he would have difficulty parting company with his business interests completely, and for that reason might want to remain close to London.

However, although he has assumed the badges of his post as Hong Kong's most eminent corporate man, such as a company Rolls-Royce, Peak racing and even a share in a race horse, the social trappings do not seem important to him.

"I have other outside interests that I would like to pursue. A long time ago I was interested in gardening and bee-keeping. And I would like to have time to read," he says. But, in the meantime, he has a HK\$300m acquisition to com-

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No FT...no Newspaper of the Year.

The Conservative tax onslaught would stop Mr Neil Kinnock in his tracks. The judgment of one of Mr John Major's senior lieutenants was offered with as much confident aggression as anyone could muster after a week without sleep.

There was no reason to doubt his conviction that the clever but incomplete arithmetic of Mr John Smith's shadow budget had left scope for his party to tap a rich vein of public unease about higher taxes.

But, like others gathered around the prime minister at Conservative Central Office yesterday, he did not grasp the admission of weakness implicit in the assessment.

If Labour's standing in the opinion polls stays as it is between now and April 9, Mr Kinnock will move into 10 Downing Street. The Labour leader would be without a majority at Westminster but there would no doubt that he had won the election.

After the first full week of campaigning, the Conservatives have found themselves in the role of the opposition party. Behind in the opinion polls, it is no longer enough for Mr Major to stop Mr Kinnock. He must drive him back.

That could change. The polls have been volatile. Labour's lead is at best two points. Mr Paddy Ashdown's Liberal Democrats, sidelined by the cross-fire, might yet emerge as a more serious rival for the votes of disaffected Conservatives. Mr Major's offensive against Mr Smith's tax plans has yet to permeate all the voters' consciousness.

So Labour's strategists in Walworth Road are looking ahead to

the clutch of opinion polls tomorrow with as much anxious anticipation as those in Smith Square.

But this week's campaign snapshots have been ones for Mr Kinnock to keep. Gloom output and unemployment figures did nothing to still resentment with the government's handling of the economy. The economic indicators were "truly awful", one cabinet minister admitted in an unguarded moment.

Ministers and their shadows returning to London from the regions offered inevitably partisan assessments of the national mood.

For the Conservatives the message was simple. Mr Major drew almost universal praise. Mr Kinnock attracted uniform scorn. The voters feared the opposition more than they wanted to punish the government. Labour's conclusions were equally straightforward. After 13 years the voters had had enough.

Recession, the poll tax and crumbling public services had persuaded them that it was time for change.

Both judgments carried conviction. But the lines of fatigue which come with 18-hour days concealed pained frowns on Conservative faces and cautious confidence on Labour ones.

Stranded for longer than any of

his predecessors on the opposition benches at Westminster, Mr Kinnock has the look of a politician who believes that at last he can win. Mr Major, with no experience of opposition, has the air of one who has realised just how hard he must fight not to lose.

It was Mr Smith who gave Labour the first round. Described dolefully by one opponent as "a priceless asset", the shadow chancellor delivered his mock budget with an articulate gravitas which must have left some voters wondering whether he had already moved into No 11 Downing Street.

Aides insisted that the package - reconciling commitments to spend more on the welfare state with pledges not to raise taxes for the average family - had removed his party's Achilles heel. The skilled working classes had been reassured

and the confusion and contradictions of 1987 could now be avoided.

Mr Major, still more popular with the voters than either Mr Kinnock or his own party, did not have a bad week. A stylish portrayal of the journey from Brixton's Colliabour Lane to 10 Downing Street in his first election broadcast reinforced the image of a politician close to voters' anxieties and aspirations.

The message on the dopesteps - grudgingly admitted by Labour MPs - was that the prime minister is liked and trusted. He attracts little of the blame for his party's mistakes and credit for shaving the rougher edges from Thatcherism.

But circumstances have no forced him into a different role. His lengthy election manifesto - designed above all to underpin the message that here was a prime minister seeking a *first term* rather than a party seeking a *second term* - was put to one side within 24 hours of its launch on Wednesday.

The party's strategists decided that Mr Major, until now above the election slanging match, was needed in the front line of the attack on Labour's tax policies. So instead of spending the rest of the week setting out his own agenda, Mr Major took on the less familiar

Philip Stephens on the state of play between Tory and Labour at the end of the first week

The judgments of conviction



On the buses: the Conservatives are fighting hard not to appear like the party of opposition

Tony Andrews

Learning how to mix it



The faltering start to Mr John Major's campaign was accidentally highlighted in a comment after his unusually aggressive speech at the rally in Manchester on Thursday night. According to an aide, the prime minister said it was the first time in 16 months that he had said what he felt.

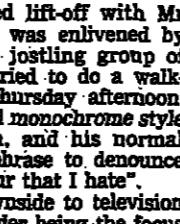
Quite apart from the admission that he had not really hit his stride until some days into the campaign, the comment points to a fundamental change of strategy.

An earlier plan was for Mr Major to be above the political fray in a statesmanlike fashion, leaving the negative campaigning on Labour to those without quite such nice smiles.

But the speech on Thursday showed that Mr Major is prepared to mix it with the opposition.

His speech did indeed, as he was at pains to point out, cover education, housing and the Citizen's Charter.

It dealt more passionately - and to more applause - with Labour's tax plans, the last Labour government's continuation of a "forelock society", and the unfitness of Labour to govern because of its stand on defence and, implicitly, the putative hot-headedness of its leader.



Mr Neil Kinnock looks and acts like a "dead cert" winner - just as he did in 1987.

This time, however, the Labour leader and his fiercely protective entourage snuff triumph in the electoral breeze. They are acting accordingly.

Motorcycles with security back-up, fairs, spotlights and VIP reception committees help create the impression that, after nine shadow years, Mr Kinnock is emerging into the light as the man of the moment.

Hands held at holster level suggest a hint of the victor's swagger and the matey grin which sparks fury or affection remains broad, though Mr Kinnock is too scared by experience to believe the battle is won.

A spontaneous, cheek-kissing intimacy still breaks out from the calculated sobriety intended to show that here is a serious man up to serious job. His toe-caps sparkle but you just know he prefers trainers.

The choreographers of a highly professional campaign have left very little to chance. That means limiting the opportunities for mistakes - there was none on the road in the first week - and maximising exposure for the party leader on

Alison Smith

terms dictated by a team dedicated to showing Mr Kinnock's best side.

Secrecy surrounds every step of the way, partly because of security but also to ensure the Tories do not trump them. There is, however, barely concealed delight within the leader's camp at keeping the press guessing, a game which helps create an essential aura of importance.

The strategy can go too far. On Thursday, the pack set off for Birmingham. Asked by a journalist on board the battle bus if this was the day's destination, the press officer merely replied "yes". The inquirer responded: "Then you'd better tell the driver because we're told him to stop."

In 1987, Labour made it clear it believed the election would be fought in front of the masses on television and asked why it should assist a largely hostile press with comparatively little influence. The party had a good point then and has a good point now.

So far, contact with unvetted voters has been strictly limited and will remain so; when it is attempted, the public in any case risks being flattened by a moving mountain of broadcasting technology upon which the entire, bizarre exercise depends.

Michael Cassell

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UK COMPANY NEWS

Wilkes 66% lower at £2m after asset write-down

By Richard Gourlay

JAMES WILKES, the engineering company fighting a hostile bid from Petrocon, yesterday reported pre-tax profits down 66 per cent in 1991 after a large exceptional write-down of assets to be sold.

Pre-tax profits fell from £5.6m to £1.8m but at the operating level profits were only 5 per cent lower before the £2.5m exceptional item.

The company is recommending a 5.25p final dividend, giving an unchanged 10p for the year, even though earnings per share fell from 22.4p to 4.8p.

Mr Arthur Watt, Wilkes chairman, said the results were excellent given the recession.

The exceptions related to the closure of the aviation business and head office mansion.

Wilkes said its bankers, NM Rothschild, had written to Petrocon saying it would withdraw a £7.25m credit line if the bid was successful. Rothschild's corporate finance department is advising Wilkes but the bank says its lending decision was made independently based on its lack of knowledge of Petrocon.

A Petrocon adviser said the bidding company was prudent and that the borrowings revealed by Wilkes in its defence document were exactly as anticipated.

Petrocon said that its final offer, worth 15p a share and valuing Wilkes at £27.5m, was generous, representing an historical earnings multiple of 33.

Wilkes also stepped up its attack on Petrocon's management and in particular the record of Mr Colin Robinson, its chairman.

Wilkes said there was little evidence to suggest Mr Robinson could develop businesses and that he had rarely held a company stewardship position for a sustained period.

Mr Robinson said Wilkes had been selective in not highlighting his management successes at GEC and Heron Corporation.

Liberated Molins edges ahead

By Peggy Hollinger

MOLINS, the tobacco machinery and packaging manufacturer, yesterday unveiled its first set of results since the exit of hostile shareholder Lencadis, to show a 2 per cent rise in pre-tax profits to £18.5m for 1991.

The group, which has escaped five attempts in four years by hostile shareholders to win control, managed the increase through shaving interest costs by £300,000 to £3.5m. Operating profits were steady at £15.6m on turnover up 13 per cent to £155m.

Mr Michael Orr, chairman, made only the most discreet of references to the two-year attempt from the US financial conglomerate to win control. "Lencadis is behind us now and we are enjoying the chance to concentrate on the business," he said. Lencadis shed its 48 per cent stake in Molins in November after its proposal for seats on the board was defeated at an extraordinary general meeting.

Molins rewarded shareholders with an increased final dividend of 9.75p (9p), making a 12.75p (12p) total. Earnings rose from 36.9p to 37.3p.

The packaging machinery division increased trading profits from £2.9m to £3.1m. The Langston business, one of the leading names in the US, had increased its market share, the chairman said.

The tobacco machinery division, which represents two-thirds of group sales, had come under pressure from its dependence on the lower margin Third World business.

However, the weak result from the refurbishment of old machines had masked a strong performance in the original equipment and spares business.

Molins also announced that it had put to proposals for ward to pension fund trustees aimed at unlocking the £38m surplus allowable by law. The actual pension fund surplus as calculated by Molins actuaries is £90m, and has been cited as the main reason for the past hostile bids. Last year Molins received a £2.3m

(same) net pension credit.

COMMENT

Molins is not the most exciting of stocks, leaving many to wonder why so many bids. The pension surplus is perhaps the biggest reason, with further unrealised potential in the company's Flexible Manufacturing Systems patent.

This has been the subject of litigation for several years, and now Molins is merely awaiting judgment following the court hearing in January 1991. The timing of that judgment is uncertain as a London bus.

Meanwhile, Molins maintains its position as one of the top three tobacco machinery manufacturers, and the packaging industry offers great scope for expansion after the pension surplus is used to wipe out the already low gearing of 13 per cent. Profits are expected to creep up to 16p this year, for a prospective p/e of 10. This looks undervalued, especially when the net asset value per share of 40p is taken into consideration.

Berisford has also renegotiated its own borrowing facilities. It now has a facility from four banks which is "sufficient for Berisford's ongoing business requirements". The facility runs until March 31 1992 and Berisford has arranged more favourable terms.

Berisford cancels rights as coffee rises

By Maggie Urry

BERISFORD International, commodities and property group, has cancelled a rights issue announced a month ago. Its shares rose 2p to 20 1/2p.

The issue, which was to raise £14m net through the sale of loan stock, would have allowed Berisford to provide further finance to Rayner Coffee International, its 45 per cent owned coffee trading associate.

Mr Barry O'Connor, company secretary, said that the coffee price had risen in recent weeks and RCI had closed its position on the terminal market, meaning it was no longer exposed to margin calls. As a result the procedure for the rights issue had been removed.

The allowed Berisford to cancel the issue when it found it impossible to fit its banks and the underwriters to balance their interests.

Mr O'Connor said the cost of closing the terminal market position was to be borne by RCI. RCI was also negotiating the sale of some subsidiaries, which may be agreed in the next few weeks and had implemented staff cuts.

Berisford guarantees some of RCI's borrowings and has cut the maximum exposure from £115m to £105m (£61m). At present RCI is using £88m of this facility. The aim is to cut this further through asset sales. Berisford said that once the RCI guarantee was removed Berisford would be in a better position to implement a strategy for acquisition and growth.

Berisford has also renegotiated its own borrowing facilities. It now has a facility from four banks which is "sufficient for Berisford's ongoing business requirements". The facility runs until March 31 1992 and Berisford has arranged more favourable terms.

It seems safe to assume that all three are vigorously opposed to such a solution.

Whitbread, too, would be loth to see blocks of shares placed with possible predators given its own substantial sales of Heineken and Stella Artois lagers to the three companies.

Another way out of the dilemma would be for Whitbread, itself, to bid for one or more of the brewers. It already sells Marston's and Morland ales as part of its guest beer portfolio.

"The drawback to such a move," says Mr John Spicer, analyst at Warburg Securities, "is that it would incur significant costs – perhaps £34m for Brakspear, £250m for Marston's and £28m for Morland – and could invite referral to the Monopolies and

Time, gentlemen, to unravel the knot

Morland bid talks pose a heady problem: Philip Rawstorne reports

NEWS THAT Morland, the Thames Valley brewer, is talking to potential bidders has focused attention on one of the most complex knots yet to be unravelled in the government's efforts to loosen the national brewer's hold on pub retailing.

Whitbread, the national

brewer and retailer, and the

associated Whitbread Inves-

ment Company hold substan-

tial stakes in five regional

brewers and pub operators –

Morland, Marston's, Brakspear,

Devenish and Boddington.

Mergers Commission.

There is a bewildering range of other options. A transfer of shares between Whitbread and WIC would slightly reduce the number to be sold.

That number would be reduced further if WIC cut its shareholding in Whitbread to 14.9 per cent. But Whitbread would be reluctant to have 14 per cent of its equity placed in the market.

In theory, says Mr Spicer, the regional brewers could seek shareholders' approval to buy in some or all of the shares for disposal – but the cost would be high and leave less money available for acquiring pub.

Rights issues by both Mar-

ston's and Morland could

reduce the Whitbread and WIC holdings below the critical level, provided both refrained from taking up their rights.

But again the scale of the issue would be a problem – and Morland made a £10.8m cash call only last June in which WIC took up its full entitlement.

Whether intentional or not, the government orders have posed a problem which only a stroke of genius is going to resolve without leaving some, at least, of those involved poorer or weaker.



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INTERNATIONAL COMPANIES AND FINANCE

Nestlé says Perrier fight may end in a few weeks

By Ian Rodger in Zurich

NESTLE, the Swiss foods group, said its bitter takeover battle with Italy's Agnelli family for Source Perrier, the French mineral water and cheese group, could be resolved within the next few weeks.

"Now that the legal situation has been cleared and that some signals have come from the other side, I would not exclude that the resolution of this matter could well happen in the next few weeks," a Nestlé spokesman said yesterday.

He was responding to a newspaper report quoting an Agnelli official as saying: "We have seen where the political will lies in France, and there is not much point in fighting that." The Nestlé spokesman said this was one of many indications that the Agnelli camp was thinking that the time had come to change their approach.

In late January, Nestlé, the world's largest food group, bid FF1.475 per share for Perrier, valuing the company at FF13.42bn (\$2.86bn).

The bid countered an attempt by Agnelli companies to gain control of Perrier indi-

rectly by buying companies that held large blocks of Perrier shares. Since then, Nestlé has won court battles in France aimed at obstructing the Agnelli approach.

Also, the French stock market authorities have ruled that the Agnelli group must make an offer to all Perrier shareholders, not just to a few.

Meanwhile, Nestlé reported yesterday that its consolidated net profit rose 8.7 per cent last year to SF7.47bn on sales up 8.9 per cent to SF70.5bn.

The directors have recommended a dividend increase to SF2.15 from SF2.00 per bearer participation certificate.

The group said that in spite of worsening economic conditions in many countries, sales volume grew by 4 per cent. The trading margin showed a slight improvement to 10.1 per cent.

The results were close to analysts' expectations in most respects, but there was apparently disappointment that the group did not announce plans to split its shares.

That, according to one Zurich analyst, was the reason the Lex, Page 24

bearer shares jumped SF1.100 on the statement to SF70.820, but then settled back almost immediately to SF70.550.

Nestlé said it intended to split its bearer and registered shares, 10 for one, as soon as possible. A Swiss law permitting such a change comes into effect on July 1, but the group was still clarifying the process it had to follow to comply with the law.

No decision had been reached on converting the participation certificates into shares or on consolidating the capital into a single class of shares. The group said neither issue was urgent now that there was no difference in the rights attaching to its two classes of shares.

Mr Ramon Masin, executive vice-president and head of regional management for Europe, was promoted to president of the general management group in the food sector. However, Mr Helmut Maucher, chairman and chief executive officer, Mr Maucher, who is 64, has made clear that he has no plans to retire.

That, according to one Zurich analyst, was the reason the Lex, Page 24

Bekaert expects BFr15bn for stake

By Andrew Hill in Brussels

BEKAERT, the Belgian producer of steel cord and wire, believes it could raise more than BFr15bn (\$435m) through the sale of a 49 per cent stake in its Japanese joint venture Bridgestone-Bekaert Steel Cord – three times the book value of the holding.

Bekaert announced yesterday that it was bound to pressure from its other tyre-marketing customers and ending its 22-year-old joint venture with Bridgestone Corporation, the Japanese tyre manufacturer.

Bridgestone-Bekaert, which generates profit of 15bn annually on turnover of 40bn, makes steel cord for rubber reinforcement and sells about 80 per cent of its production in Japan.

Mr Willy Snaet, a Bekaert vice-president, said yesterday: "When Bridgestone decided to

take over Firestone [the US tyre manufacturer] recently, it moved from being local to international and the relationship we had was jeopardising our relationship with other customers."

"It's a sign of the problems that they have in such a concentrated industry," added Mr Sebastian Scutari, a Belgian analyst with Dillon Read of London.

Bridgestone-Bekaert will become an independent company and Bekaert's shares will gradually be sold to new investors on the Tokyo OTC market during 1993. Mr Snaet said the Belgian group would probably not retain a stake in the joint venture.

The Bridgestone-Bekaert stake is valued in Bekaert's net consolidated accounts at just over BFr5bn. Although he

stressed that the value would depend on stock market conditions, Mr Snaet estimated that given the high price-earnings ratios on the Tokyo market, the whole company could be worth between BFr30bn and BFr60bn.

Analysts said such estimates should be treated with caution. They also pointed out that some of the proceeds would have to offset the unspecified cost to Bekaert of buying its outstanding minority stake in Bekaert Dylevring Steel Cord.

A US subsidiary, which was partly owned by Bridgestone-Bekaert – in a deal announced last October.

On Monday, Bekaert is expected to announce a net consolidated loss for 1991 following another difficult year, and may only just cover its dividend payout with earnings.

Another major event in 1991 was the disposal of its minority cross-shareholding with Pearson, the UK publishing and banking group which owns the Financial Times.

Elsevier sees further advance

ELSEVIER, the Dutch publisher, reported a 20 per cent rise in 1991 trading profit and forecast a further rise in both net and operating profit in 1992, writes Ronald van de Krol in Amsterdam.

Trading profit, which does not include contributions from associated companies or interest income, totalled Fl 466.3m (\$249.3m), compared with Fl 387.5m in 1990.

Net profit fell to Fl 384.8m

from Fl 306.9m the year before, when results were swollen by extraordinary gains from Elsevier's sale of a 33 per cent stake in fellow Dutch publisher Wolters Kluwer. Operating profit, as earlier predicted by the company, was up 11 per cent to Fl 380.3m.

Net turnover rose by 10.6 per cent to Fl 2.27bn.

Elsevier said it would raise its 1991 dividend by Fl 0.15 to Fl 2.25. It forecast that net

profit will grow by a minimum of 26 per cent in 1992.

The company said its purchase in 1991 of Pergamon, the UK-based scientific publisher, from Maxwell Communication Corp was a significant factor behind last year's profit gains.

Another major event in 1991 was the disposal of its minority cross-shareholding with Pearson, the UK publishing and banking group which owns the Financial Times.

London Markets

WEEKLY PRICE CHANGES		Latest prices	Change on week	Year ago	High 1991/92	Low 1991/92
Gold (per Troy oz)	\$339.05	-7.95	\$362.65	\$403.25	\$434.25	\$285.00
Silver (per Troy oz)	243.539	+3.39	222.85	260.55	163.350	163.350
Aluminium 99.7% (cash)	\$1297.5	+15	\$1475	\$1570	\$1082.5	\$1082.5
Copper Grade A (cash)	\$1297.5	+15	\$1475	\$1570	\$1147.5	\$1147.5
Lead (cash)	\$1297.50	+9.25	\$1237.75	\$1237.75	\$1090.00	\$1090.00
Nickel (cash)	\$737.5	-70	\$923.75	\$923.75	\$709.00	\$709.00
Zinc (cash)	\$1222	-9	\$1208	\$1430	\$890.25	\$890.25
Tin (cash)	\$590	+15	\$572	\$525	\$454.50	\$454.50
Coffee Futures (May)	\$590	+14	\$597	\$592	\$456	\$456
Coffee Futures (Mar)	\$590	+25	\$597	\$592	\$456	\$456
Sugar (LDP Raw)	\$521.8	+0.7	\$242.20	\$293	\$194	\$194
Barley Futures (May)	\$117.15	-1.65	\$117.50	\$122.95	\$107.75	\$107.75
Wheat Futures (May)	\$117.15	-0.15	\$117.00	\$117.10	\$109.00	\$109.00
Cotton Outlook A Index	\$55.50c	+0.9	\$83.25c	\$86.25c	\$54.40c	\$54.40c
Wool (64s Super)	452p	-20	334p	480p	329p	329p
Oil (Brent Blend)	\$17.775x	+0.025	\$18.70	\$29.15	\$16.75	\$16.75

Per tonne unless otherwise stated. £1 quoted. p-pence/kg, c-cents/lb. x-May.

COCA - London FOX

Mar	670	655	670
May	690	680	693
Jun	717	705	725
Jul	741	722	745
Aug	775	766	778
Sep	807	801	810
Oct	823	817	828
Nov	844	834	854
Dec	866	859	865

Turnover: SF58 (SF10) lots of 10 tonnes

ICCO Indicator prices (SDRs per tonne), Daily price for Mar 19, 81 03 (SF3.38) 10 day average for Mar 20, 82 79 (SF2.57)

COFFEE - London FOX

Mar	865	852	868
May	872	874	885
Jun	867	869	880
Aug	865	871	886
Sep	819	821	830
Oct	840	845	850
Nov	840	851	850
Dec	840	850	840

Turnover: SF2 (SF10) lots of 5 tonnes

ICCO Indicato price (US cents per pound) for Mar 19, Commodity daily 58.13 (SF7.58) 10 day average for Mar 20, 82 79 (SF2.57)

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar breaches new barrier

THE DOLLAR broke out of its recent narrow band, breaching DM1.68 in brisk late trading after chipping away at the barrier all day, writes Neil Buckley.

Dealers said the market had been daunted by rumours of a large sell order at DM1.6780. These orders were either filled or taken out, and the dollar suddenly surged through the level in late afternoon.

It closed at around DM1.6825, 35, after an Asian close of DM1.6725/82, and at Y134.40/50, from Y133.71.

The rise surprised many dealers who had predicted that the dollar would spend the next week or two in a consolidative phase, restricted to the DM1.6350-1.6720 range.

However, determined buying by a handful of speculators, notably a south-east Asian central bank and a Middle East investor, sparked off a rally.

This was backed by a strong Philadelphia Fed survey of business confidence, which

leapt from -0.9 to +1.9.

The dollar was also strengthened by comments from Mr John Lawlor, the Fed governor, who said he was satisfied by the current level of the dollar against the yen. This contrasted with comments in January that a stronger yen level of around Y120 was needed to restrain the huge Japanese trade surplus.

Now, however, against the French franc, despite worries about the yen level for it to help the Bank of Japan with intervention.

Given the recent data, we could see a further spurt by the dollar next week, especially if the figures are good," said Mr Gerard Lyons, chief economist at DKB International.

Everything does point to a US recovery in the second half-year, although this might not be as strong as the market expects."

In Asia, the dollar had been very steady in thin and uneventful trading. The Tokyo

markets were closed for a national holiday.

The D-mark was generally mixed. It rose against the Swiss franc to SFDr.9100, from a previous SFDr.9070. Dealers said more intervention by the Swiss National Bank - for the third time this month - was possible on Monday if the SFDr.9100 barrier was breached.

It fell, however, against the French franc, despite worries about this weekend's regional elections in France, in which the ruling socialists are expected to do badly.

It also fell against sterling, although dealers said this had more to do with the stronger dollar than any improvement in sterling sentiment. Sterling closed at around DM2.8619 from a previous DM2.8573, and improved within the ERM to 47 per cent of permitted swing below its central rate, from 50 per cent.

Against the dollar, sterling fell to \$1.7007, from \$1.7120.

Forward premiums and discounts apply to the US dollar

£ IN NEW YORK

Mar 20	Last	Previous
£/Spot	1.7070/72	1.7060/62
1 month	1.7114	1.7090
3 months	2.70-2.72/2.74	2.65-2.67/2.68
12 months	9.00-9.05/9.06	8.92-8.95/8.96

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Mar 20	Last	Previous
0.90 am	99.9	99.2
10.00 am	99.9	99.8
11.00 am	99.9	99.8
Noon	99.9	99.8
1.00 pm	99.9	99.8
2.00 pm	99.9	99.8
3.00 pm	99.9	99.8
4.00 pm	99.8	99.8

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

Mar 20	Em.	Em.	Current	% Change	% Spread	Divergence
£/Spot	1.7070/72	1.7060/62	1.7070/72	0.00	0.00	0.00
1 month	1.7114	1.7090	1.7114	0.00	0.00	0.00
3 months	2.70-2.72/2.74	2.65-2.67/2.68	2.70-2.72/2.74	0.00	0.00	0.00
12 months	9.00-9.05/9.06	8.92-8.95/8.96	9.00-9.05/9.06	0.00	0.00	0.00

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Mar 20	Bank of England	Morgan Stanley	Changes %
US Dollars	99.9	99.8	-0.1
Canadian Dollar	100.7	100.7	-0.1
Australian Dollar	101.8	102.2	+0.4
Swiss Franc	1.00	1.00	0.0
French Franc	100.7	100.7	0.0
German Mark	100.7	100.7	0.0
Italian Lira	100.0	100.0	0.0
UK Pounds	99.9	99.8	-0.1
Swiss Franc	100.0	100.0	0.0
French Franc	100.0	100.0	0.0
German Mark	100.0	100.0	0.0
Italian Lira	100.0	100.0	0.0
UK Pounds	99.9	99.8	-0.1
Yen	100.0	100.0	0.0
Commercial rates taken towards the end of London trading. 12-month forward dollar \$1.7050-52. 12 months			

Commercial rates taken towards the end of London trading. 12-month forward dollar \$1.7050-52. 12 months

CURRENCY RATES

Mar 20	Bank of England	Special * Bank of England	European Central Bank	Commercial Bank
US Dollars	1.7045/52	1.7045/52	1.7073	1.7073
Canadian Dollar	1.50	1.50	1.50	1.50
Australian Dollar	1.50	1.50	1.50	1.50
Swiss Franc	1.00	1.00	1.00	1.00
French Franc	1.00	1.00	1.00	1.00
German Mark	1.00	1.00	1.00	1.00
Italian Lira	1.00	1.00	1.00	1.00
UK Pounds	1.00	1.00	1.00	1.00
Yen	1.00	1.00	1.00	1.00
Commercial rates taken towards the end of London trading. 12-month forward dollar \$1.7050-52. 12 months				

Commercial rates taken towards the end of London trading. 12-month forward dollar \$1.7050-52. 12 months

DOLLAR SPOT - FORWARD AGAINST THE POUND

Mar 20	Day's spread	Cash	One month	% P.L.	Three months	% P.L.	One year	% P.L.
US Dollars	1.7070/72	1.7070/72	1.7070/72	0.00	0.00/0.00	0.00/0.00	1.7070/72	0.00
Canadian Dollar	1.50	1.50	1.50	0.0	0.00/0.00	0.00/0.00	1.50	0.00
Australian Dollar	1.50	1.50	1.50	0.0	0.00/0.00	0.00/0.00	1.50	0.00
Swiss Franc	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
French Franc	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
German Mark	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
Italian Lira	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
UK Pounds	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
Yen	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
Commercial rates taken towards the end of London trading. 12-month forward dollar \$1.7050-52. 12 months								

Commercial rates taken towards the end of London trading. 12-month forward dollar \$1.7050-52. 12 months

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 20	Day's spread	Cash	One month	% P.L.	Three months	% P.L.	One year	% P.L.
US Dollars	1.7070/72	1.7070/72	1.7070/72	0.00	0.00/0.00	0.00/0.00	1.7070/72	0.00
Canadian Dollar	1.50	1.50	1.50	0.0	0.00/0.00	0.00/0.00	1.50	0.00
Australian Dollar	1.50	1.50	1.50	0.0	0.00/0.00	0.00/0.00	1.50	0.00
Swiss Franc	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
French Franc	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
German Mark	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
Italian Lira	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
UK Pounds	1.00	1.00	1.00	0.0	0.00/0.00	0.00/0.00	1.00	0.00
Yen								

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continued on next page

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- Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

ISLE OF MAN REGISTRATION

JERSEY (SIB RECOGNISED)

US Dollar Bond	54,61,592	1,592	1
Commodities			
£ Sterling	0,281,59	281,59	281
US\$	0,520,07	20,07	20

Initial charge may alter for sales in other
Hill Samuel Fund Mgrs (Jay) Ltd
PO Box 63, Broad Street, St. Helier, Jersey

Barclays Global Investors	50.53	50.53	51.53
Bar Cap & Gtr Edged	50.53	50.53	51.53
International Bond	113.53	113.53	120.53
UK Equity	151.59	151.59	164.59

OTHER OFFSHORE FUNDS

OTHER OFFSHORE FUNDS		Emerging Mkts Mar 13		20.22		High Perf. Fund.		DRM122.00		Wells Fargo U.S. IT Fund	
Std Price	Offer Price	Yield	Conv.	Malaysia Mar 13	10.65	Bond Fund	DRM120.00	Wells Fargo A-Svc (Ex)	\$10.72	Wells Fargo B-Svc (Ex)	59.87
				Canada Feb 13	10.35	Equity Fund	DRM120.00	Wells Fargo B-Svc (Ex)	59.87		10.03
ATSP Management Ltd				Contract SA		Contract SA		DRM120.00		Wells Fargo A-Svc (Ex)	
Pensions Long Term Equity Fund				Samoa Pordol... Global Asset Management	150.29 50	Samoa Pordol... Global Asset Management	150.29 50	DRM120.00		Wells Fargo B-Svc (Ex)	
NAV Feb 24	517.18			GASER... SAM Australia	100.47	GASER... SAM Australia	100.47	DRM120.00		Wells Fargo B-Svc (Ex)	
Abstract Fund Managers (Gibraltar) Ltd				GAM ASEAN	5209.44	GAM ASEAN	5209.44	DRM120.00		Wells Fargo B-Svc (Ex)	
The New Asia Fund Ltd				GAM Australia	113.74	GAM Australia	113.74	DRM120.00		Wells Fargo B-Svc (Ex)	
NAV US\$ (adjusted)	5			GAM China	5335.19	GAM China	5335.19	DRM120.00		Wells Fargo B-Svc (Ex)	
NAV US\$ (adjusted)	57.33			GAM Europe	589.49	GAM Europe	589.49	DRM120.00		Wells Fargo B-Svc (Ex)	
Aditya Investment				GAM Euro Fund	571.83	GAM Euro Fund	571.83	DRM120.00		Wells Fargo B-Svc (Ex)	
Adventura	12021.43	22.07		GAM Fund Corp SP	571.83	GAM Fund Corp SP	571.83	DRM120.00		Wells Fargo B-Svc (Ex)	
Adventura	120145.94	14.29		GAM Global Fd	590.93	GAM Global Fd	590.93	DRM120.00		Wells Fargo B-Svc (Ex)	
Adventura	120723.73	7.64		GAM High Yield	5125.02	GAM High Yield	5125.02	DRM120.00		Wells Fargo B-Svc (Ex)	
Adventura	120410.21	43.22		GAM Hong Kong	5101.03	GAM Hong Kong	5101.03	DRM120.00		Wells Fargo B-Svc (Ex)	
Adventura	120410.21	43.22		GAM International Fd	5135.38	GAM International Fd	5135.38	DRM120.00		Wells Fargo B-Svc (Ex)	
Adwin Malaysia Growth Fund (Cayman) Ltd				GAM Japan	5706.31	GAM Japan	5706.31	DRM120.00		Wells Fargo B-Svc (Ex)	
NAV Feb 24	59.5620			GAM Latin America	5121.17	GAM Latin America	5121.17	DRM120.00		Wells Fargo B-Svc (Ex)	
Alliance Capital				GAM Money Mkt ISS	5100.78	GAM Money Mkt ISS	5100.78	DRM120.00		Wells Fargo B-Svc (Ex)	
International Fund B	514.40	15.34	-\$0.01	Do Servicio	5102.26	Do Servicio	5102.26	DRM120.00		Wells Fargo B-Svc (Ex)	
International Fund B	514.26	17.48	-\$0.01	Do Sustento Fd	5F1101.63	Do Sustento Fd	5F1101.63	DRM120.00		Wells Fargo B-Svc (Ex)	
Gesamt	522.46	25.28	-\$0.04	Do Deutschland	DRM102.02	Do Deutschland	DRM102.02	DRM120.00		Wells Fargo B-Svc (Ex)	
Gesamt	522.46	25.28	-\$0.04	Do U.K.	Y10105	Do U.K.	Y10105	DRM120.00		Wells Fargo B-Svc (Ex)	
Gesamt Class B	522.46	22.44	-\$0.04	GAM Mkt-Map-Sec	5129.39	GAM Mkt-Map-Sec	5129.39	DRM120.00		Wells Fargo B-Svc (Ex)	
Gesamt Class B	522.46	22.44	-\$0.04	GAM Mkt-Map-Sec Fd	5128.49	GAM Mkt-Map-Sec Fd	5128.49	DRM120.00		Wells Fargo B-Svc (Ex)	
Global Small Corp B	510.97	11.61	-\$0.03	GAM Mkt-Map-Sec Fd	5127.60	GAM Mkt-Map-Sec Fd	5127.60	DRM120.00		Wells Fargo B-Svc (Ex)	
Global Small Corp B	510.97	11.61	-\$0.03	GAM Mkt-Map-Sec Fd	5127.67	GAM Mkt-Map-Sec Fd	5127.67	DRM120.00		Wells Fargo B-Svc (Ex)	
Canadian Fd	55.11	5.61	-\$0.02	GAM Mkt-Map-Sec Fd	5103.53	GAM Mkt-Map-Sec Fd	5103.53	DRM120.00		Wells Fargo B-Svc (Ex)	
Alliance Fund Management Corp (Cayman) Ltd	513.100	50.0000	-\$0.01	GAM Mkt-Map-Sec Fd	5103.53	GAM Mkt-Map-Sec Fd	5103.53	DRM120.00		Wells Fargo B-Svc (Ex)	

Hong Kong	\$16,222	17,076
Indonesia	\$8,270	8,484
Korea	\$9,210	9,471

DRMA Bond Mar 23 104.568 14579
HYB (A) Mar 23 586664.032

WORLD STOCK MARKETS

AMERICA

Dow edges higher in heavy early volume

Wall Street

WITH a "triple witching" hangover over the US stock market yesterday, share prices were edging slightly higher during the morning's trading, writes Nicki Tait in New York.

Trading volumes were relatively heavy, compared with morning sessions earlier in the week. However, dealers suggested that much of the business occurred when the market opened, and they were expecting a second burst in the last hour of trading.

Market observers also suggested that the impact of the triple witching, which occurs when stock-index

options and futures expire simultaneously, should be broadly positive, although they expected many investors to remain on the sidelines until the potentially volatile session was over.

By 1 pm, the Dow Jones Industrial Average was standing at 3,284.76, up 3.86 on the previous night's close. The more broadly-based Standard & Poor's 500 Index was down fractionally at midsession, while the Nasdaq index, which measures the over-the-counter market, gained 1.5 higher at 524.40.

On the New York Stock Exchange, advances were almost even with declines in exceptionally heavy volume of

131m shares. Among the most active shares during the morning session was AT&T, the US telecommunications group. Its shares gained 5% to \$40.4, on news that a \$1.4bn contract from the Internal Revenue Service to AT&T for computer equipment and services had been confirmed. The contract was first awarded to the company in July last year, but the decision had subsequently run into controversy.

Also rising sharply were shares in Allied Signal, up 53% to \$51.74. The company said that it expected to report first-quarter earnings of 85 cents a share, some 15 to 20 cents higher than analysts had been predicting. Allied Signal said

that reasons for the better-than-expected figures lay partly in an accelerated restructuring programme, and partly in relatively strong sales in the automotive aftermarket.

Two of the US car companies enjoyed useful gains yesterday morning, with shares in Ford gaining 3% to \$40.24 and General Motors rising 5% to \$38.75.

Only Chrysler, the weakest of the "Big Three" Detroit manufacturers, eased back 5% to \$18.10. Analysts at PaineWebber, the Wall Street brokers, were said to have raised their earnings estimates for the index.

Elsewhere, a "buy" recommendation by Kidder Peabody analysts helped LA Gear, the sportswear company, to a \$14.75

rise at \$14.5%. However, Eli Lilly, the large drugs company, lost 5% to \$70.74 on news that a PaineWebber analyst had switched his recommendation from "attractive" to "neutral", primarily because of disappointing sales for the group's antidepressant drug, Prozac.

Canada

TORONTO wavered around the 3,470 mark on the TSE 300 composite index as the market comprised of soft bond prices, and little leadership from New York. The TSE 300 rose 3.1 to 3,459.8, advances leading declines by 231 to 201 in volume of 19.3m shares valued at C\$207.6m.

The targets we set for the end of June have already been met," Mr Sylvain Trachsel, head of research at Union Bank of Switzerland, says.

The question that torments him and other analysts is whether that is it. Will the rest of 1992 turn out to be as dull as was the rest of 1991? Mr Trachsel, for one, has opted for caution, seeing the market "more or less going sideways" for the next few months. This is a view shared by Michel Petitpierre, head of Swiss research at Pictet & Co, although he is calling for a "slight correction" because of the recent setback in the government's monetary policy.

Mr Bernard Tschanz, head of Swiss equity research at Crédit Suisse, is slightly more optimistic, seeing the SMI at 1,900 by mid-year and 1,950 by year end.

Most analysts are agreed that the main prop for the market in January and February was the expectation that interest rates were going to drop sharply following indications that inflation in Switzerland was declining.

The negative effects have probably been limited by indications of very strong profit gains in 1991. The big three banks all reported record 1991 profits and analysts are confident that the big three chemical and pharmaceutical companies, which will be reporting results next week, will also do well.

The rush of announcements of stock splits and other moves to make companies more investor friendly has also contributed to the market's strength.

Mr Tschanz says it has been the most important factor in the first two months, and it will continue to have a big influence in the short term.

Unfortunately, it is difficult to predict when and how these announcements are going to affect individual shares or the market as a whole, perhaps because, as another analyst observes, the Swiss market suffers from a relatively uneven diffusion of information.

The tendency of Swiss companies to do more to please international investors has

Swiss franc depreciation trims growth in Zurich

Equities have had a good start, writes Ian Rodger

The Swiss are early risers.

That admirable trait may help explain why the Swiss stock market has been extraordinarily lively early in the year for the second year in a row, in spite of an economic backdrop which is as dreary as a foggy winter morning in Zurich.

The SMI index of leading shares leapt out of the starting gate on January 1 at 1,670.1 and finished at 1,840.6 by the end of February, a handsome rise of about 10 per cent.

"The targets we set for the end of June have already been met," Mr Sylvain Trachsel, head of research at Union Bank of Switzerland, says.

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People got a bit too excited about it," says an analyst at James Capel. Among them was the Swiss National Bank which declined to follow Germany's official interest rate rises in December. Perhaps it thought that Switzerland could still play on its reputation as a stable haven for capital, but that era seems to have passed.

In January and February, the Swiss franc declined sharply against the Deutschmark and this month the SNB intervened to stop the fall, nudging up interest rates. The likelihood is that the lingering

gap between Swiss and German bond yields has become a risk factor for the equity market, rather than a bull point.

Financial shares have been the main victims of the interest rate rises. Crédit Suisse, parent of Credit Suisse, jumped from SF1.755 at the beginning of the year to SF1.207 at the end of February, but have since fallen back to SF1.970. Zurich Insurance bearers went from SF4.320 to SF4.820 and back to SF4.230 over the same period.

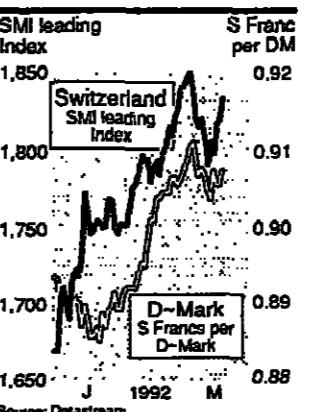
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The tendency of Swiss companies to do more to please international investors has



Source: Datastream

been apparent for several years, and it was widely known that this would get a big boost this year following modifications to the companies law, facilitating share splits and forcing simplification of capital structures.

Some companies, such as Nestlé, made clear several months ago their intention to split their shares as soon as they could. Yet Nestlé shares reacted sharply to a newspaper article in January rehearsing this point.

Holzstoff shares rose on the announcement of a capital restructuring. Its bearers were at SF15.050 before the announcement and now stand at SF15.300. But Alusuisse

shares did not.

In the Holzstoff case, the action was especially radical, with restrictions on foreign ownership coming off a single class of shares being established and a 10-for-one share split proposed. Also, group 1991 earnings were up 22 per cent and the dividend was raised.

One analyst said the shares were now very attractive, combining little downside risk with a possibility of becoming a takeover target.

In some cases, significant gaps still exist between the prices of shares and participation certificates of companies which are expected to announce capital restructuring.

This, according to Mr Trachsel, offers speculative opportunities, notably in the PCs of Helvetica and the cable maker, Cortalied.

Whatever impact these moves have had so far, there could be further effects after July 1 when the splits will actually be carried out and it becomes easier for small investors to buy many Swiss shares.

However, by then, the current squeeze on interest rates may also have eased, bringing other stimuli to the market. Mr Tschanz is looking for another year of strong profit growth - 15 per cent compared with 21 per cent last year. That would indicate that the market is on a prospective price-earnings ratio of 12.7. "It is not cheap, but it is not expensive," he says.

EUROPE

Technical and political influences move bourses

THE CORPORATE results season had to contend with technical and political influences on bourses yesterday, writes Our Markets Staff.

FRANKFURT withstood its first ever "quadruplet witching hour" covering the multiple expiry of futures and options contracts, with effects which were obvious to the options due but not marked in blue chip share price terms.

Opening prices were clearly higher in Frankfurt, said Mr Jens Wielcking of Merck Finck in Düsseldorf. At the close the DAX was 11.6% higher on the day, and 0.2 per cent up on the week, at 1,763.30 after gains of 3.65 and 0.1 per cent respectively for the FAZ at 704.44.

The former start seemed to indicate that futures players had long positions in the expiring March DAX future. Then, as DAX option contracts were settled in the last few minutes, the index fell by around four points from an earlier high of just over 1,740.

Underlying that, said Mr Wielcking, was a rise in companies which could look forward to better earnings in the US, or export margins on the strength of the higher dollar. In chemicals, Hoechst especially comes into this category, and led the big three higher with a rise of DM4.30 to DM259.60. Carmakers, favoured for similar reasons, saw BMW DM6.30 higher at DM6.60.

Among special situations,

Continental, the tyremaker, had one of its occasional days in the sun, a rise of 2.3% to 1,157.00, from 1,154.21. Day's High 1,156.59 Day's Low 1,153.00

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PARIS brokers said that Sunday's French regional elections kept investors out of the bourse. The CAC-40 index fell 2.67 to 1,919.12, down 1.4 per cent on the week, in light of over about FF1.750.

Liquid commodities of one sort or another seemed to be active. In oil, Esso climbed another FF127, or 3.7 per cent to FF1,757 in 108,000 shares after Thursday's 3.1 per cent gain on a doubled dividend. But Total fell FF2.90 to FF2,230.10 in 291,650, as it continued to pay out the Hutchison unit it is looking into buying assets owned by the Italian tyremaker, Pirelli.

Petrol dipped by FF0.33, or 2.1 per cent to FF1,954 after Thursday's FF0.34 gain, traders citing a report that Agipnef is not interested in a takeover battle with Nestlé for the French mineral water group.

AMSTERDAM's CBS Tendancy Index closed little changed, up 0.2 to 1,238.8, a rise of 0.5 per cent over the week.

Elsevier, which reported a 10.8 per cent increase in profits after the close, dipped FF1.40 to FF1,160, having earlier shown moderate gains.

Heineken, which has been

performing strongly all week, came off FF1.4 to FF1,180. The gold index fell 6 to 1,116. Vast

Reefs put on R3 to R199.

ASIA PACIFIC

Buying interest moves to Australia

WITH Tokyo closed for the spring equinox holiday, equity market interest seemed to move to the Antipodes yesterday day although Bombay, too, rose sharply.

AUSTRALIA was boosted by encouraging economic news and the All Ordinaries Index closed up 1.2 at 1,584.1, a fall of 0.2 per cent on the week.

The market was encouraged by a rise in consumer sentiment to its highest level for more than three years.

BHP put on 18 cents to A\$13.44 and was followed by fellow mining groups, CRA rising 4 cents to A\$13.80 and Western Mining gaining 13 cents to A\$4.66.

HONG KONG was off 2 cents at A\$13.86 it announced on Thursday that it had agreed to operate a joint international express mail service with European and US post offices.

NEW ZEALAND recovered after hitting a four-month low in early trading: the NZSE-40 index closed just 0.38 down at 1,438.81 after falling to 1,424.95, a 0.9 per cent decline over the week. Turnover was NZ\$19.9m after NZ\$10.3m.

Analysts said that sentiment was encouraged by the strong Australian market, but noted that a series of cash issues and public floatations over the coming weeks will take more than NZ\$1bn from the market.

SINGAPORE finished easier, the Straits Times Industrial index falling 5.8 to 1,435.81, 2.1 per cent down on the week.

TAIWAN finished higher on political concerns, but in slow trade, the weighted index closing 7.85 higher at 4,818.18, 4.2 per cent lower on the week, in thin turnover of T\$17.1bn, down from T\$19.7bn previously.

Investors were sidelined by political concerns as a National Assembly session opened to amend the constitution.

SEOUL saw strong gains in Hyundai subsidiaries on rumours that the Hyundai founder, Chung Ju-yung's newly-formed Unification National Party would do better than expected in the March 24 election. The composite index rose 2.7 to 615.39, fractionally higher on the week in turnover of Won572.8bn.

BANGKOK's advance continued with the SET index closing 2.61 higher at 814.39, a 1.1 per cent gain on the week, in turnover of Bt7.5bn.

KUALA LUMPUR closed firmer, the composite index finishing the day up 5.3 to 603.19 in turnover of some M\$1.6bn and registering a 1.3 per cent on the week.

Landmark rose seven cents to \$11.10 in 2.05m shares on speculation that shareholders will be given an option to buy new shares in a subsidiary due to be listed this year.

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MANILA rose in light trading on bargain hunting. The composite index closed up 15.10 to 1,130.17, but down 0.2 per

cent over the week. Turnover was \$2m pesos after 61m pesos.

The rise in the US of shares in Philippine Long Distance Telephone prompted activity by local investors and it closed 10 pesos above at 875 pesos.

TAIWAN finished higher on political concerns, but in slow trade, the weighted index closing 7.85 higher at 4,818.18, 4.2 per cent lower on the week, in thin turnover of T\$17.1bn, down from T\$19.7bn previously.

Investors were sidelined by political concerns as a National Assembly session opened to amend the constitution.

SEOUL saw strong gains in Hyundai subsidiaries on rumours that the Hyundai founder, Chung Ju-yung's newly-formed Unification National Party would do better than expected in the March 24 election. The composite index rose 2.7 to 615.39, fractionally higher on the week in turnover of Won572.8bn.

BANGKOK's advance continued with the SET index closing 2.61 higher at 814.39, a 1.1 per cent gain on the week, in turnover of Bt7.5bn.

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KUALA LUMPUR closed

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.									
MERCHANT BANKS - Cont.									
OIL & GAS - Cont.									
PACKAGING, PAPER & PRINTING - Cont.									
STORES - Cont.									
MINES - Cont.									
TELEPHONE NETWORKS									
TEXTILES									
PROPERTY									
OTHER FINANCIAL									
OTHER INDUSTRIAL MATERIALS									
MOTORS									
PACKAGING, PAPER & PRINTING									
STORES									
MINES									
MERCHANT BANKS									
OIL & GAS									

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on share price for the FT-Actuaries Index and FT-Allcomers World Index.

Closing mid-price is shown in parentheses otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column only as a guide to P and P/E ratios. Dividends and Dividend covers are performed on Monday.

Market capitalisations shown is calculated separately for each line of stock quoted.

Market capitalisations and prices are published continuously through the Stock Exchange and on the Comshare system (SEKO), and non-UK stocks which are quoted on SEKO are mentioned.

• Top Stock

Highs and lows marked thus have been adjusted to allow for rights issues for the year.

Interim share increased or reduced.

Interim share reduced, passed or deferred.

Pipings or Report issued.

Not officially UK listed, exchange permitted under rule 533(1)(a).

USA, not listed on Stock Exchange and company not subject to same accounting and reporting standards as UK companies.

Not officially UK listed, exchange permitted under rule 533(2).

Price at time of statement.

Mergers and acquisitions pending, under rights issue.

Forced dividend yields are based on earnings up to latest income conversion converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks which are traded on Stock Exchange and prices are published continuously through the Stock Exchange and on the Comshare system (SEKO), and non-UK stocks which are quoted on SEKO mentioned.

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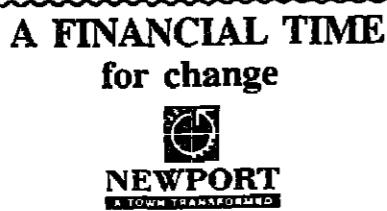
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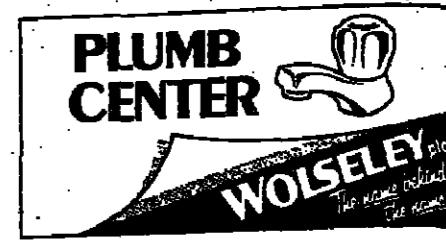
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FINANCIAL TIMES

Weekend March 21/March 22 1992



Maxwell widow foots son's legal bills

By Raymond Hughes and Bronwen Maddox

MRS ELIZABETH MAXWELL, widow of the late Robert Maxwell, who last month described herself as "desolate", is the mystery benefactor helping to pay their son Kevin's legal bills.

Her identity was disclosed in the Court of Appeal yesterday. The provisional liquidators of Bishopsgate Investment Management, which managed Maxwell's pension funds, tried unsuccessfully to have her made "jointly and severally" liable with Kevin for BIM's legal costs.

Mr John Brisby, counsel for the liquidators, said Mrs Maxwell had provided £200,000 "at the drop of a hat" to Mr Kevin Maxwell and his brother Ian.

The costs related to Mr Kevin Maxwell's unsuccessful plea that he had a right to remain silent in response to questions from the liquidators about some £450m of missing pension money to avoid self-incrimination.

Lord Justice Dillon said that according to Mrs Maxwell, around December 11, five weeks after her husband's death, Kevin asked her for £100,000 towards his legal fees. On December 16, Kevin and Ian asked for a further £400,000 each for legal fees. There could, the judge said, be no objection to a mother giving her son money for legal expenses.

"Naturally, in view of the circumstances which have come to public notice since the death of Mr Robert Maxwell, there must be some suspicion that money in the hands of the Maxwell family may have been taken improperly by Mr Robert Maxwell from funds or companies with which he was associated."

But the judge concluded that there was no evidence that the money asked for by Mrs Maxwell to pay her son's bills was derived from Bishopsgate or was not genuinely hers.

The first part of her contribution came in the form of almost FF1m (£100,000) and later another sum of nearly £400,000.

It is understood that she brought Paris property and

month, Mrs Maxwell was reported as saying: "I haven't sold away anything, because I never, for a minute believed that he'd leave me destitute."

A spokeswoman for D J Freeman, the London solicitors representing Mrs Maxwell, declined yesterday to comment on her assets.

Mrs Maxwell, 71, was born Elizabeth Meynard near Lyons. She comes from a wealthy family which owned several silk factories in the 1930s. Her father, who became a legal consultant, at one point specialised in uncovering fraud in the fruit and vegetable market at Les Halles in Paris.

It is understood that she brought Paris property and

others assets to the marriage. Some of the property is occupied by Maxwell companies, but it is not known if she retains the title to these assets.

She has also owned for several years a chateau in Montagnac-sur-Lede in the Lot-et-Garonne region. It is estimated to be worth \$2m and has a swimming pool, outdoor whirlpool bath and helicopter pad. It has eight bedrooms, four bathrooms and two kitchens.

She may be able to earn further money — publishers have approached her for her memoirs.

It is clear, however, that paying for her son's legal bills will make a considerable hole in her assets.

The Texas king who would be president

Continued from Page 1

tackles the country's economic problems; a little of Mr Jerry Brown, the former Governor of California, with his attack on the political contributors who finance electoral campaigns; and a little of Governor Mario Cuomo of New York, whose public musings over whether or not to run for president kept the US entertained last autumn.

The public may not be so appreciative when it discovers he wants to eliminate the federal budget deficit by raising taxes — and improving tax collection — and slashing spending, although he also proposes cutting the US's European and Asian allies for \$100bn each as a contribution to the Pentagon budget.

The core of Mr Perot's message is that the American people are owners of their country and must take responsibility as if they were shareholders.

He also proposes a constitutional amendment barring Congress from raising taxes or voting on its own pay rises. Such measures would have to be decided by referendum.

However, Mr Perot is used

to wielding unrestrained power as chief executive, and would find the constitutional limitations of the presidency extremely constricting.

Some commentators believe there is a possibility, though a remote one, that Mr Perot could come to symbolise the "real change" option to many voters, siphoning votes away not only from President George Bush but also from Governor Bill Clinton of Arkansas, the likely Democratic nominee.

"There has been no time in modern American history more ripe for a candidate to run for the White House against both parties," wrote Mr Charles Cook, a Washington political analyst, in Roll Call, Congress's village news paper.

All the same, the odds are heavy that Mr Perot will find candidacy too constraining a role and discover some pressing reason to withdraw.

He has not yet made it clear if as president he would ban beards and mustaches in the civil service, as he did at EDS.

As one former EDS employee put it: "He'll never run for president — he's already king."



Lone star: Commentators say Ross Perot could symbolise a "real change" option to voters if he runs for president

Major

Continued from Page 1

perceived as a narrow Labour opinion poll lead.

Party strategists said they had always expected it would take some time for charges that Labour will raise taxes to pay off in the opinion polls.

The prime minister and Mr Norman Lamont, the chancellor, both roundly rebuked Labour's shadow Budget proposals as a gratuitous assault on middle income earners.

Mr Major argued that the increased income tax and National Insurance contributions would create a country "where people have no incentive, no hope, no choice and no future".

Life group

Continued from Page 1

force for failure to comply with its rules.

The sales agents involved are all either directly employed by Windsor Life or are "fied agents" who work for an independent agency selling Windsor products exclusively. The spokesman said sales agents receive no salary, and are paid

only by commissions earned on each policy sold.

Windsor Life sells unit-linked policies. In 1991, its new business rose 22 per cent to £1m. As at December 31, it had £130m under management, but it has since bought Gresham Life which had £490m under management.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)		
Rises	700	+ 15
Continental	2473	+ 23
DLW	539	+ 115
Poerth	314	+ 10
Sud-Chemie	595	+ 5
Falls	378	- 8
Unicorp-Heli	—	—
New York (\$)	—	—
Rises	51 1/2	+ 2 1/2
Abel Signal	40 1/2	+ 1 1/2
Am T & T	40 1/2	+ 1 1/2
Forst	40 1/2	+ 1 1/2
Li Gehr	14 1/2	+ 1 1/2
Falls	—	—
Paris (FFrs)	—	—
Rises	839	+ 29
Continental	2008	+ 125
Intel	319	+ 7
Orsan	258	+ 6
Radotechn	640	+ 14
Falls	—	—
Axa	920	- 11

TOKYO CLOSED		
London (Pence)	—	—
Rises	515	+ 35
Bedford Int	201 1/2	+ 2
Coats	51	+ 5
Reuters	1144	+ 24
Reeshaugh	9	+ 24
Reitmans B	1035	+ 18
Sheriff	63	+ 5
Tarmer	145	+ 8
BET	125	- 15
Bedford (Wm)	23	- 4
Booker	427	- 16
Burnah Castrol	489	- 14
Business Tech	21	- 3
Car & Wire	536	- 17
Carri	83	- 4
Daige	83	- 4
Daige Pope A	85	- 10
Ecopac	14	- 13
Ferney (Lon)	60	- 5
Laporte	550	- 14
Merryman	370	- 13
Morland	459	- 12
Sedgwick	206	- 12
Trafalgar Hse	119	- 7

Iraq bows to UN pressure to scrap Scud equipment

By Mark Nicholson, Middle East Correspondent

IRAQ BOWED to United Nations pressure yesterday by agreeing to destroy manufacturing equipment related to its Scud missile programme in an effort to defuse the threat of possible military action to enforce UN resolutions.

The move was welcomed by Mr Rolf Ekeus, director of the UN special commission charged with eliminating Iraq's weapons of mass destruction, as indicating a new willingness to pay off in his programme.

A UN panel of experts in the capital carried out for London Weekend Television's London programme, shows Labour three points ahead of the Tories.

The Iraqi letter to the UN is the first sign that Iraq is prepared to respond to the Security Council's warnings.

In a further sign of Iraqi acquiescence, Mr Ekeus said Baghdad had also supplied him with "important new information" about its ballistic and chemical weapons programmes.

He said the Iraqi letter included a claim that Baghdad had itself destroyed hundreds of missiles not previously declared to the UN inspectors.

Although Iraq was thought to have up to 800 Scud missiles, inspectors have so far discovered and destroyed only 62.

The letter also contained Iraq's agreement to offer "full, final and complete" disclosure of its weapons programmes, Mr Ekeus said. A fresh team of UN ballistic inspectors, due to arrive in Baghdad today, will verify the Iraqi information.

The next big test of strength will probably be on nuclear weapons-related equipment at a plant at Al-Atheer, south of Baghdad. A further team of nuclear inspectors is to visit the country early next month.

The International Atomic Energy Commission in Vienna is expected to make recommendations soon on what should be destroyed in the plant, left untouched during the Gulf war.

At the same time the US issued a series of warnings that a further military strike might be launched against Iraq.

The message was drummed home to Mr Tariq Aziz, Iraq's deputy prime minister, in person last week during his delegation's appearance before the UN Security Council. It has been backed up by reports that the US had drawn up a list of targets in Iraq for a possible bombing raid.

Yesterday's letter to the UN is the first sign that Iraq is prepared to respond to the Security Council's warnings.

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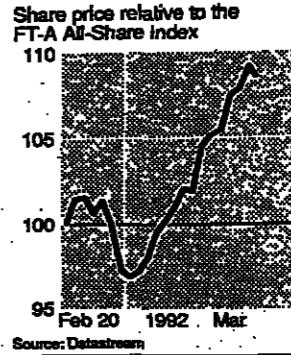
THE LEX COLUMN

Deflating the growth stocks

FT-SE Index: 2,456.6 (-11.0)

British Steel

Share price relative to the FT-A All-Share Index



present they scarcely matter at all — capital ratios can always be rebuilt once the domestic crisis has been resolved.

The lack of concern in international markets does not mean the original thesis was wrong, however. The world credit scene has been hit by the Japanese lenders' spontaneous withdrawal over the last two years, but they still have considerable lending outstanding.

Low inflation thus presents a challenge which will weed out remorselessly companies trading on bogus promises of growth.

That suggests the market will look at quality of earnings in reassessing ratings. Historically it does not like paying a premium for rising nominal earnings, which are mostly inflation-induced, but durable real earnings growth of 3 per cent is worth more when inflation is also 3 per cent than it is under dividend warning.

It will be difficult to widen even when prices are static.

Presumably operating margins can still be widened even when prices are static. The scope for growth by acquisition may diminish, though as the real cost of debt becomes more expensive. Even companies with surplus cash might find it more attractive to invest in high-yielding gilt-edged stock.

18
ER
WOLSEY
10th

Weekend FT

Weekend March 21/March 22 1992

SECTION II



Men who won the Falklands peace

islander with a £30,000 per year pension). Although the Falklands now boasts a large and fully-equipped military airport and three highly sensitive radar stations, the combined military presence has been reduced to half a squadron of Phantom aircraft (the Harriers have long since departed), some half a dozen aerial transport units, a company of less than 300 infantry, a frigate and a naval patrol vessel.

One former British marine on the islands said that if it wanted to, Argentina could recapture the Falklands in 24 hours, for example by landing special forces from a submarine at night and taking out the radars and the phantom on the ground. But nobody in Buenos Aires seems even to be thinking of such a plan. One reason is that British intelligence has greatly improved. Ten years ago this week, the UK was apparently unaware of a series of key meetings between General Galtieri and an officer attached to the Chiefs of Staff, General Mario Benjamin Menendez.

At one such meeting, while an Argentine foreign minister was still going through the motions of diplomacy, Menendez was informed that a secret decision had been taken by the military junta to invade the islands. According to Menendez, Galtieri dismissed any suggestion that this would provoke a big international reaction. "Menendez", Galtieri said, "that is none of your business... it's the junta's problem and no one else's. I just want you to think about being a military governor."

Two weeks later the Argentines overran the token force of marines on the islands. In Buenos Aires, civilians, including some whose relatives had been tortured and killed, poured through the streets waving flags and bringing Galtieri to the balcony of the presidential palace to rapturous applause.

Thatcher responded by sending a taskforce of 10,000 men and scores of ships, the biggest UK naval operation since the Second World War. Within two months, on the May 21, the first British troops were wading ashore on the rocky gravel beach that lies just below Linda Anderson's Blue Beach Lodge. On June 14, Argentine troops surrendered at Port Stanley.

The battle for the Falklands has been described by some military experts as a small colonial war. But the images that linger are those of high human drama which for a while gripped the attention of the world: they include the sinking of the battleship cruiser Belgrano with the loss of more than 400 lives in freezing South Atlantic seas, aerial dogfights of extraordinary skill and daring, the burning hulks of British battleships, and the dejected faces

of the wounded and the defeated.

Of the 1000 men killed in the campaign, more than 800 were Argentines. But in Argentina, as the tenth anniversary approaches, the fallen are remembered with muted emotions. Jorge Lanata, the 31-year-old editor of *Página 12*, one of the country's most popular newspapers, says: "Three years ago we ran a series on the war. It was treated with total indifference by our readers. Many of them supported the invasion, but they are now silenced by a sense of guilt. They look at the veterans as if they were ghosts." Yet some Malvinas veterans who, like Balza, survived the postwar purge are now in positions of command in a radically altered armed force. Comodoro Gustavo Justo, for example, a former Mirage fighter pilot in the attack on San Carlos Bay, is today Chief of Operational

contraction of the Argentine armed force, squeezed by budgetary cuts and public indifference. They also perceive that after the Gulf War, a coup in Buenos Aires, let alone an attack on the Falklands – could no longer be sure to escape an international response. Indeed, the Argentine military that defied UN resolutions, today takes part in the UN's global peacekeeping exercises. More remarkably, it also exchanges information with British forces on movements in the South Atlantic.

These big changes in Argentina seem, however, to have escaped the notice of most of the 1000 islanders. As military spending declines, their improved prosperity depends, partly at least, on Argentina's new policies of fishery conservation and non-belligerence. But for many islanders the traumas of the war have not healed, perhaps understandably in view of the large areas near Port Stanley still made deadly by Argentine mines.

Stuart Wallace, for example, who studied in Argentina and lives with his Argentine wife in Port Stanley, says that while Buenos Aires claims the islands: "The price of dealing with Argentina is potentially enormous. Renewed links would politically destabilise us. It would be different if we were still a disintegrating society with no revenue of our own."

The islanders may have some reason to remain anxious. Although Argentina's President Menem today speaks eloquently about his commitment to the new international order, the same Menem was elected President after labelling the British the "pirates of the world". He said then: "No matter how much time passes, or how much blood we have to shed, that territory will be ours again."

If he changed his mind once, might he not change it again? Suspicions that a lunatic fringe of military officers may have been behind this week's bomb attack on the Israeli embassy in Buenos Aires, can only have heightened the islanders' worries. Yet hostility is softening. Some island officials agree at least to attend talks between Britain and Argentina on issues such as fishing and oil exploration.

Meanwhile, Argentine school children are still being taught that the Malvinas belong to them; but they are learning about democracy too. So the question returns: was it worth the fight? Living in Buenos Aires through the war I never doubted that it was, if only because Britain's response promised the destruction of a vicious military regime. On my return to Buenos Aires ten years later, I found a country deepening its determination to put history behind it.

This change, and the restoration of commercial and diplomatic links, make a far more fitting tribute to those, from both sides, who died in 1982, than the islanders' present intransigence.

■ Jimmy Burns was the FT's Buenos Aires correspondent during the Falklands War. His book *The Land that Lost its Heroes: Argentina, the Falklands and Alfonsín* is being republished by Bloomsbury (London) to coincide with the tenth anniversary.

Ten years after
Margaret Thatcher
toppled Galtieri.
Jimmy Burns asks:
who gained what?

Planning under a civilian ministry of defence.

On May 21, 1982 Justo led the first big attack on the British beachhead, flying low over the waters of the South Atlantic to avoid radar detection and leaving himself with the minimum fuel necessary to return to base. Justo narrowly escaped from his aircraft at 850 km per hour, after being shot down by a British Harrier jet, equipped with the most modern air-to-air missiles provided by the US. He was only 1/4 miles short of his target. A fellow pilot and best friend was killed.

Badly injured and suffering from concussion, Justo lay in a shepherd's hut for several days. He was eventually found by an Argentine helicopter team and shared a field hospital tent with a wounded RAF pilot. "The Englishman said 'what a shit of a war. My parents are old and I was going to get married.' But I thought to myself: not only am I married but I know what I'm fighting for."

Ten years on, Justo is much less sure. "I have known how horrific war can be... There are peaceful options. That is what I am telling my children. It is a lesson that was not passed on to me by my superiors when we fought."

Justo, Balza and the new men at the top have presided over a sharp

GENERAL MARTIN
Balza, Malvinas veter-
an and Argentine army
chief, sits in his
panelled military
headquarters in Buenos Aires, fin-
gering four British £1 notes as we
talk about the Falklands War ten
years ago.

The money represents half his
pay as a prisoner of war after he
surrendered his artillery position
outside Port Stanley to the British
forces. The general smiles at the
memory of those days when, as a
lieutenant colonel, he was short-
changed by an English soldier for a
tube of toothpaste and a Coca-Cola.
But he is not bitter. Argentine, he
concedes, was destined to lose
because of the incompetence of her
national rulers.

Back in March 1982 when I was
in Buenos Aires covering the war
for the FT, Argentina's then army
chief and President, General Leopoldo
Galtieri was not a person I
wanted to meet unprotected. His

regime's way of dealing with oppo-
nents was similar to that of Nazi
Germany. More than 3,000 people,
some foreigners, had "disappeared"
since the coup which brought him to
power in 1976.

I will never forget, just a few days
before the Falklands war, watching
an old woman, with shopping bag
and walking stick, being sur-
rounded and beaten senseless by
heavily armed police. By chance,
she had strayed into the first big
demonstration against the regime.
Galtieri had ordered it to be
repressed with sabres, gas canisters,
long truncheons and live bullets.
Yet when Argentina invaded the
Falklands, Galtieri became a
national hero.

Now ten years later, after the
expenditure of 1,000 lives and
enough cash to make each islander
very rich, history has pushed aside
both Galtieri and the woman who
defeated him. Margaret Thatcher,
whose defiance rang across the
world, and helped to deliver a

resounding victory to the Conserva-
tive party in 1983, walks sadly from
the main political arena next
month, almost at the anniversary of
her military triumph.

She also was rejected from the
leadership of her country, as heroic
memories of the struggle began to
fade. Yet the questions remain, was
it necessary and was it worth the
cost? From Balza's office, at least, it
seems the greatest benefit was
reaped by Argentina, which escaped
a vicious tyranny and brought its
generals under political control. Did
Britain also deliver a lesson which
Argentina (if not the world) will
never forget?

Even now, a monument outside

the army headquarters in Buenos
Aires states that the Malvinas were,
are, and always will be Argentine.
But Balza declares: "I don't see that
there is any possibility of another
armed conflict with Britain. We are
living in a different world."

It seemed, when I stood in the
Falklands a few days later under

the union flag by 15 military graves
at San Carlos, that the British Gov-
ernment believes him. All was as
quiet as if there had never been a
landing of troops, or a frenzied air
attack on transports and frigates at
that famous sound at the north
west of the main island. Now only
low-flying upland geese and sea
gulls disturb the stillness. The
nearby military camp lies aban-
doned – a few empty cables and a
couple of Jerry cans. Linda Ander-
son, owner of the recently opened
Blue Beach Lodge nearby, com-
plains that the Ministry of Defence
can no longer afford to transport
many soldiers to rest in her bed and
breakfast.

British officials say the forces
still stationed on the islands are
enough to defend them. Even so, the
UK now spends only 260m a
year on the defence of the islands,
less than 7 per cent of the rate of
spending in the three years after
the war. (Even the present sum,
however, could provide each

British soldier with a £30,000 per
year pension). Although the Falklands
now boasts a large and fully-equipped
military airport and three highly
sensitive radar stations, the
combined military presence has been
reduced to half a squadron of Phantom
aircraft (the Harriers have long
since departed), some half a dozen
aerial transport units, a company of
less than 300 infantry, a frigate and
a naval patrol vessel.

At one such meeting, while an
Argentine foreign minister was still
going through the motions of diplo-
macy, Menendez was informed that
a secret decision had been taken by
the military junta to invade the
islands. According to Menendez,
Galtieri dismissed any suggestion
that this would provoke a big
international reaction. "Menendez",
Galtieri said, "that is none of your
business... it's the junta's problem and
no one else's. I just want you to
think about being a military governor."

Two weeks later the Argentines
overran the token force of marines
on the islands. In Buenos Aires,
civilians, including some whose
relatives had been tortured and
killed, poured through the streets
waving flags and bringing Galtieri to
the balcony of the presidential palace
to rapturous applause.

Thatcher responded by sending a
taskforce of 10,000 men and scores
of ships, the biggest UK naval
operation since the Second World War.

Within two months, on the May 21,

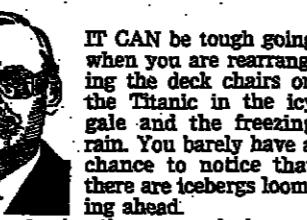
the first British troops were
wading ashore on the rocky gravel
beach that lies just below Linda
Anderson's Blue Beach Lodge. On
June 14, Argentine troops surrendered
at Port Stanley.

The battle for the Falklands has
been described by some military
experts as a small colonial war.

But the images that linger are
those of high human drama which
for a while gripped the attention of
the world: they include the sinking
of the battleship cruiser Belgrano
with the loss of more than 400 lives
in freezing South Atlantic seas,
aerial dogfights of extraordinary
skill and daring, the burning hulks
of British battleships, and the dejected
faces

The Long View/Barry Riley

After victory, the battle



Budget of 1981 to bring the borrowing
and spending balance back under
control.

This week a nervous stock market
has been adjusting to the idea that the
Conservatives may well lose, even if
Labour does not win outright. In the
past investors have tended to fear badly
when governments have changed. I am
indebted to Nick Glydon of Kleinwort
Benson for his book of election charts
which shows that after three of the four
general elections I have mentioned
gilt-edged were lower in price six
months later – by an average of 5 per
cent. Equities also fell three times out
of four, by 13 per cent on average. The
exception in each case was 1970 when
the stock market had already tumbled
by 20 per cent in the four months before

the election.

It can be tough going when you are
rearranging the deck chairs on the
Titanic in the icy gale and the freezing
rain. You barely have a
chance to notice that there are icebergs looming
ahead.

Please forgive the overworked metaphor,

but manifesto week in an election
campaign is a time for cliché of expression
rather than clarity of thought.

The parties are promising to redouble
efforts, end scandals, regenerate inner
cities and grasp new opportunities.

There is much talk of recovery and
growth. But the anxious voter may
wonder what the winning party will do
if the unthinkable – but, alas, scarcely
improbable – happens and the econ-
omy is holed below the waterline.

It has happened before so often fol-
lowing closely-contested elections. After
all, it is only when the economy is
faltering that a change of government
is likely to take place. The defending
administration is forced to minimise its
problems, and defer unpopular actions.

In 1984 Labour under Harold Wilson
arrived with a spectacular National
Plan for 4 per cent economic growth
and a promise to exploit the white heat
of the technological revolution, but
quickly ran into a series of balance of
payments crises. In 1970 Edward Heath
led the Conservatives back into power
but was lured into an ultimately disas-
trous U-turn on public spending and
corporatism by the recession of 1971,
of which the Rolls-Royce bankruptcy was
the highlight.

In Downing Street in 1974, Wilson
found the country in a state of
acute financial and industrial crisis,
afflicted by soaring prices, a sugar famine
and the threat of the "doomsday
machine" as the corporate sector wilted
under an unindexed tax system; he
resigned after two years, leaving James
Callaghan to call in the rescue troops of
the IMF. As for Margaret Thatcher in

1979, promises to rejuvenate the over-
regulated economy were soon mostly bur-
ied, at least for the time being, amid a
burst of 30 per cent-plus inflation and
the worst recession since the war; it
required Sir Geoffrey Howe's notorious

especially vulnerable to these sky-high
real interest rates, and the economy
appears to be heading into the feared
double dip, with news this week of an
unexpectedly large dive in industrial
production in January and a further
rise of 40,000 in unemployment in
February. A jump in public spending is
the only available policy response, which
would be all very well if these were
temporary programmes, but if permanent
spending levels are ratcheted up this
must create the basis for an over-
stretching of the public finances at such
time as the private sector begins to
recover.

There is no attractive route out of
this difficulty. If the UK devalues in
the ERM there will be some benefit to
competitiveness but a blip in
inflation will be generated and interest
rates, if anything, would have to
increase because sterling would have
lost credibility in the eyes of the foreign
exchange market. In order to bring
interest rates substantially down such
a world will have to be taken out of the
ERM and the devaluation would be very
large, probably 20 per cent against
the DM. Some politicians are dabbling
with the idea of setting up the Bank of
England as an independent guardian of
the currency so as to make the idea of
floating the pound more acceptable, but
the Bank might be guarding an open
stable door.

All the main parties say they accept

the discipline of the European exchange
rate mechanism – there is not much
choice for the voter here. True, the
Tory Manifesto smears that the ERM

"would merely expose the folly of
Labour policies" but given the Conserva-
tive spending plans the same jibe

might be turned against the Tories
themselves. Nobody can promise lower
interest rates until the Germans lead
the way. And the problem is – as the
Bundesbank warned this week – that
German profligacy following reunification
is threatening that country's financial
stability.

The big picture is that excessive Ger-
man government spending is keeping
interest rates high throughout the
European currency bloc and under-
mining industrial competitiveness. In

Britain the private sector has been

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FINANCE AND THE FAMILY / MARKETS AND COMMENTARY

THE ELECTION AND YOU

London

A case of intrusion into private grief

By Peter Martin,
Financial Editor

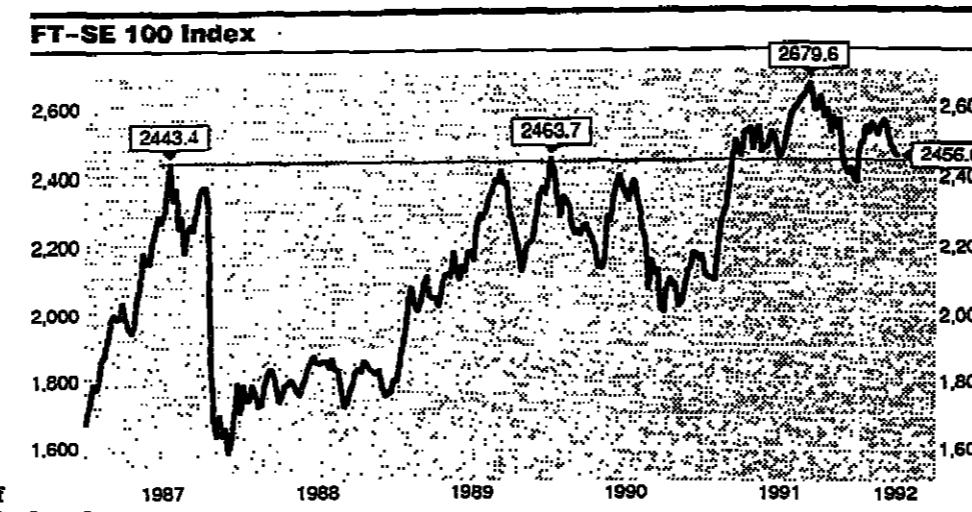
THE NOTICE went up on the Palace railings just before lunch. "The stock market and the Conservative Party are discussing a separation with their respective pension funds. These discussions are not yet complete and nothing more will be said until they are."

The torrent of media speculation and the consequent slide in share prices are seen as "especially undesirable" during a general election campaign. One insider said that "the knives are out" on both sides, with harsh words being muttered in private.

For most of their years together, the couple seemed ideally suited. They shared similar interests, such as lower income taxes and easier money. Both formed part of a

boisterous 1980s crowd, fond of talking loudly into mobile phones in restaurants. In retrospect, it marked the emotional peak of the relationship, as the chart shows. Yet, though the relationship has cooled, friends of the couple say that there is no other party exercising an unhealthy attraction. Some 2,000 or so photographs of the stock market lunching with a sober-faced Scotsman called John Smith were found by a cleaner last year, but it is understood that the relationship has never progressed beyond polite acquaintance.

Some of the stock market's friends fear that a rift may be inevitable. "Frankly, unless something pretty miraculous happens, it'll all be over by April 9," said one. Others, how-



Source: Datastream

ever, hope for the best. "I think it is early days," said another friend: "If you have a boil and it bursts it often gets all right afterwards."

■ ■ ■

For most of the week, the stock market has been coming to terms with the possibility of a Non-Conservative government. The FT-SE index dropped 19.4 points during the week, closing at 2,456.6. Within that overall decline, shares which might benefit from a Labour government have done markedly better than those which might benefit if John Major stays in Downing Street. Privatised utilities, singled out for tighter

regulation in the Labour party manifesto, have done particularly badly. The week's trends included a continuing tendency – rewarded by the stock market – to pay uncovered dividends. BAT Industries, for example, promised an 8 per cent rise in the final dividend, leaving dividend cover at 0.83, less than half the 2 the company says is its target. BAT shares rose 43p, to close the week at 88p.

Another company following the same trend was George Wimpey, the contractor, which maintained its dividend despite losing money. Joe Dwyer, Wimpey's chief executive, said he was encouraged by flickers of life in the British and American housing markets. Wimpey's UK house sales in the first 2½ months of this year were running about 10 per cent higher than the company had budgeted for, he said. The shares rose 21p on the week, to close at 150p.

Few other bosses were as positive about trading prospects. But the results season is producing noticeably better results than analysts had expected, at least for industrial companies. Warburg Securities' running total of how profits so far compare with what its analysts had expected at the end of January now suggests declines for industrials of 10 per cent, nearly two percentage points better than had been expected. Industrials dividends have grown at 8 per cent, a percentage point better than forecast.

Still, the election campaign and a steady rise in long-term

interest rates have left the market jumpy. Evidence of that mood can be seen in the performance of some of the week's big losers. Cable & Wireless. A number of unremarkable pieces of news – the departure of a senior executive and the reorganisation of some of the company's activities – were a trigger for a small-scale sell-off. C&W shares closed the week at 533p, down 82p. The market's reaction seemed to owe as much to a lingering uncertainty about whether Lord Young was taking the company in the right direction as to any specific concerns about the week's news. Stock market analysts were divided on the stock.

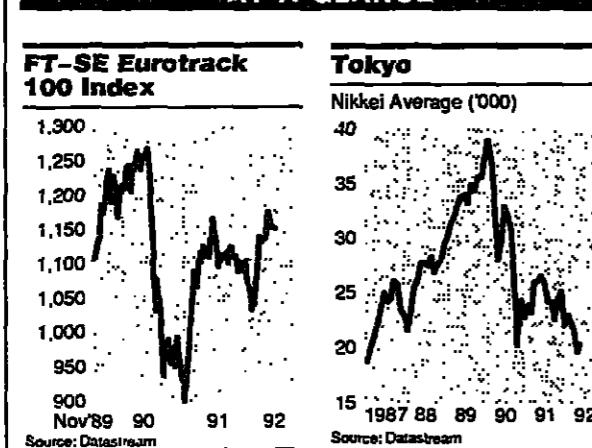
A certain ambivalence was also noticeable in the analysts' reaction to the news that Midland Bank was about to be taken over by Hongkong and Shanghai Banking Corporation. Midland shares were unambiguous gainers – they closed on Friday at 242p, up 9p on the week. Shares in the Hongkong Bank dropped; they fell 11 per cent on the week, to the equivalent of 30p. So far, so predictable. The ambivalence came in the analysts' assessment of the impact of the takeover on other UK banks. Their shares rose, reflecting the short term vote of confidence in the sector implied by Hongkong's re-appearance as a suitor for Midland. But in the longer term, the deal would strengthen Midland as a competitor in a sector where there is already – from the shareholder's view at any rate – too much capital.

Still, the election campaign and a steady rise in long-term

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1991/92 High	1991/92 Low	
FT-SE 100 Index	2456.6	-19.4	2679.6	2054.8	Election uncertainties
Automated Sec	106	-33	270	100	Poor preliminary figs
BAT Inds	686	+43	772	559	Positive results
BM Group	360	-38	431	229½	Lack of support
Cable & Wireless	538	-62	632	429	Restructuring costs
GRE	126	+12	238	98	Better than expected figures
Heath (CE)	402	-37	529	402	Results, Australian flotation
Laporte	550	-41	631	435	Selling ahead of Schwab placing
Midland Bank	343	+91	351	150	Agreed merger with HSBC
Morland	458	+90	470	231	Takeover talks
Mosaic Invs	120	-98	310	108	Profits warning
Renold	54	+18	78	45	Bid speculation
Smith (WH) A	431	-26	490	301	DIY price war fears
WPP	70	-25	231	31	Steep drop in profits
Wimpey (G)	150	+21	228	108	Maintains dividend

AT A GLANCE



Tokyo

Nikkei Average ('000)

Scandals depress Nikkei

The Nikkei 225 share index in Tokyo fell below 20,000 this week for the first time since February 1987. Political scandals and the weakness of many of the group's leading financial houses have dashed the hopes of many foreign investors that the Japanese market was due to a rebound. Ironically, on Thursday, news that the Japanese economy suffered a fall in output in the last quarter of 1991 caused the market to rebound back above the 20,000 level. The rise was caused by investor expectations that economic weakness would prompt the authorities to cut interest rates.

A trust for Europe

European markets have had a liberated feel to them since the Berlin Wall came down – prices have fluctuated widely, as the graph shows. This could mean big investment opportunities for those who pick their stocks carefully. Which is why Mercury is launching a New Europe unit trust. It will be a special situations-style trust, aiming to stay small in size, and looking for profits via stock picking, rather than asset allocation. It will have the freedom to invest in any European market, including the UK. Minimum investment is £1,000, or £50 per month via a savings scheme. Front end charge is 2.5 per cent (with a 1 per cent discount during the offer period until April 3), and the annual management charge is 1.5 per cent.

Endowment policy auction

Foster & Cranfield will hold another auction of endowment policies at the Connaught Rooms in London on Thursday, March 26. Over 130 second hand policies will be offered for sale. Further details can be obtained from Foster & Cranfield on 071-608-1941.

Election hurts small stocks

The pre-election nervousness that has hit the stock markets has taken its toll of small company shares over the past two weeks. The Hicore Govett Small Companies Index (capital gains version) fell from 1207.27 on March 5 to 1199.54 on March 12 and 1179.53 on March 12, a total fall of 2.3 per cent. The County Small Companies Index dropped from 956.7 to 953.5 and 937.3 over the same periods, a total decline of 2 per cent.

Sun Alliance launches bond

Sun Alliance has launched a single premium investment bond with a capital back guarantee in the first four years. No income can be taken during those initial years; after that, the normal 5 per cent rules apply. There are withdrawal penalties during the first four years; after four years, the guarantee does not apply. The guarantee is provided by putting 10 per cent of the sum invested into "protector units"; the effect will be to reduce the growth of the bond in the first four years if the stock market surges ahead. The minimum investment is £5,000, and the offer is open only between March 16 and May 13.

"WHAT we're saying to people with water shares is that they will be bought, when the time comes, at their proper value," Roy Hattersley, BBC Radio 4, March 18.

"No we won't. The public control that we want is to ensure (the utilities) high standard of security of supply and safety of supply," Neil Kinnock, ITN News, March 18.

PERHAPS not surprisingly, these are worrying times for shareholders in the privatised water and electricity companies. Even without Labour's apparent policy confusion, evidenced above by quotes on the same day, the shares have tumbled as the stock market comes to grips with the possibility of a Kinnock victory.

But what are the risks for shareholders in the utilities and should these shares now be sold?

The answer, according to the experts, is probably not. Although there will be violent short-term gyrations in sympathy with the polls, long-term

investors who have not yet got out should sit tight.

Nigel Burton, who researches utilities for stockbroker SG Warburg, said: "It would be silly to sell them now. They've gone down too far and, even if Labour wins, they still offer good value and they've still got good dividend growth."

Peter Hyde, water specialist at Kleinwort Benson, added: "If you're puffed off by a Labour victory and you're a short-termist, you should sell. But over the longer term, I don't see much problem holding on to them."

Labour has steadily toned down its policies towards the utilities, even in the last six months. Talk of re-nationalising BT or British Gas has long gone, and the two sectors Labour remains committed to restructure are the electricity industry, sold off in 1990, and the water companies.

Nevertheless, the stock market is worried for three reasons, a possible "triple whammy".

A Labour government might re-nationalise the water and electricity companies, possibly paying too little for the

shares.

Labour will insist on tougher regulation and tighter price controls. This would mean lower profits for all the utilities, not just water and electricity.

"The dash for gas". Labour says it is determined to protect Britain's coal industry and is opposed to coal imports and gas-fired power stations which are now being built. Although Labour would be good for miners, its policies could push up costs for the electricity companies, depressing profits.

But public control is not public ownership. Even if Hattersley wants to, Labour may not be able to afford to buy back the water companies. Buying back effective control, 51 per cent, of the 10 water companies would cost about

Serious Money

Invest in haste
repent at leisure

by Philip Coggan, Personal Finance Editor

HERE WAS some really good news this week for those who live off their savings.

Labour has abandoned its plan to introduce a 9 per cent investment income surcharge.

Admittedly, the surcharge would have applied only to incomes over £20,000 and those over pensionable age would have been exempt. But it would have been an unfair tax.

As savers know only too well, in most cases such income is not "unearned" at all, but the fruits of many years of hard work. A decision to save is merely a decision to postpone consumption to a later date. Interest income is, in large part, compensation for the effect of inflation on the purchasing power of the money saved.

Take a saver earning, say, 10 per cent in the building society. Income tax already takes 25 or 40 per cent of that return. If inflation stays at around 4 per cent this year, the "real" return for savers will be just 3.5 per cent for basic rate taxpayers and 2 per cent for those on the higher rate. Labour's surcharge would have reduced that real return by a quarter and a half respectively.

The people who would have been most hurt by this tax were those who had retired early and were living off a combination of occupational pension and savings income. In the absence of the surcharge, savers can afford to view a Labour government with equanimity. Indeed, those who are above state retirement age will enjoy a modest benefit, in the form of 25 or 28 per cent increases for single and married pensioners.

Only those whose savings income is over £40,000 (more for married couples and those over 65) will be hit by the new 5 per cent tax band. That will be a minority of savers. For those FT readers who fall into

the category, there are a number of tax shelters (Tessas, national savings, etc) which may ease the burden.

Of course, one might suppose that a Labour government will mean higher inflation, the enemy of savers. But Labour's commitment to sterilising membership of the Exchange Rate Mechanism, inflation might not be the same problem as it used to be.

Some economists are predicting higher interest rates under a Labour government, because the foreign exchange markets will test John Smith's determination to defend the pound. That would be good news for savers.

Those who are trying to build up their savings will be rather less cheerful this week, at least if their salary is above £405 per week. A Labour government would impose an extra 9 per cent bill for national insurance on such people, and those with taxable incomes over £26,375 will also be hit by the new 50 per cent band.

These changes will mean quite dramatic falls in post-tax salaries for some high earners. A married man on £100,000 would see his post-tax income fall by over 20 per cent compared with 1989-90 (or around £13,000 a year); a single man on £50,000 would see a fall in his net income of almost 8 per cent.

Is this tax burden excessive? It is worth remembering that during the years 1979-88 – the time of the Thatcher "economic miracle" – the top rate of tax was 80 per cent. (By the by, since the tax burden was lifted by Nigel Lawson, and "incentives for entrepreneurs" created, economic performance seems to have gone downhill). That may, of course, be coincidence.

We asked Price Waterhouse to compare the tax burden under a Labour government in

water stocks if Labour wins. But others say the fears are overdone. According to this view, the Tories have already toughened up on the utilities.

For example, John Wakeham, energy minister, has been trying to keep politically sensitive electricity prices down ahead of the poll.

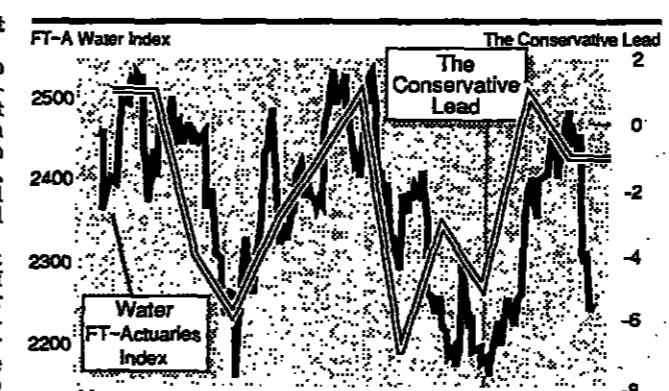
Either way, the longer term impact may not be as damaging as the market's pessimists expect. The water companies, for example, are expected to lift dividends by 46 per cent this year, in real terms. Modest regulatory tinkering by Labour could still leave dividends rising faster than inflation.

The irony, of course, is that electricity and water floats were partly designed to create stable, if unspectacular, shareholdings. With three weeks to go to the election, and opinion polls rather than prudence driving the market, these shares have been turned into high risk, high reward stocks. But only very rich speculators should buy now in hope of a Conservative victory.

Angus Foster

Labour and privatised stocks

Should we contemplate a triple whammy?



FINANCE AND THE FAMILY/THE BUDGETS COMPARED

THE ELECTION AND YOU

Investment tips you should consider

THERE are 13 investing days to go until the election.

This is what the investment professionals might call a time of extreme political risk and volatility.

Some less scrupulous advisers and salesmen might call it a great selling opportunity.

If your earnings are substantially above the national average, then Labour's tax regime is likely to leave you worse off (see right). Several measures might alleviate the problem, but do not invest in haste, only to repeat at leisure over the next five years.

As the tables show, higher top-rate taxes could substantially eat into income, so leaving large amounts of capital tied up for the long term could make life even worse.

The following measures could all make sense, but only if they fit with the underlying logic of your financial planning. Seek advice before acting.

Family Companies If you are a director of a family company, pay yourself bonuses this tax year rather than next. Accountants Bic Rothenberg suggest that this should be done through the PAYE scheme for this tax year, as this cannot be done retroactively.

Similar arguments apply to the payment of dividends – you might increase them and pay them between April 1 and 5.

Business Expansion Scheme Labour will abolish the least risky property assessment measure of the scheme. So if you were the victim of BES, investment anyway, the logic in favour of doing so becomes greater. But it is essential, in this market, to tread with caution.

Inheritance tax Make Potentially Exempt lifetime transfers now, as they could be threatened by Labour's long-term plans for IHT.

Capital Gains Tax "Bed and Breakfasting" (selling assets and buying them the following day) to crystallise gains makes more sense than usual, as CGT thresholds are likely to go down under Labour.

Offshore Funds are not as strong a tax-planning tool as they were, but they do allow you to defer any tax until you bring the assets back. If you do this, a prudent Labour would be forced out after five years, they could therefore make sense.

Personal Equity Plans make sense if you do not trust Labour to keep them, but it may not be wise to buy into equities just as the market hits a period of extreme uncertainty.



Ted Herker: under Lab +£278pa, Con +£128pa



Beverley Williams: under Lab +£125pa, Con +£128pa



David and Caroline: under Lab +£230pa, Con +£230pa



The Ellsworths: under Lab -£1,374pa, Con +£177pa



The Hamiltons: under Lab -£12,604pa, Con -£56pa

NEVER BEFORE have British taxpayers been bombarded by two Budgets in successive weeks, writes John Arthurs.

At least one of them will never be fully implemented. But for the time being, both demand close scrutiny.

This week's Budget, from Labour's shadow chancellor John Smith, is necessarily less detailed than Norman Lamont's. But it was explicit enough on the central issues of income tax and national insurance to allow families a fair comparison between the two.

The main provisions were well-tailored.

There will be an additional top-rate band of tax, payable at 50 per cent, which will affect those on annual incomes of £40,000 or more.

The "ceiling" for national insurance contributions, payable at 8 per cent of income, will be abolished.

The new 20 per cent band of tax announced in Mr Lamont's budget will be discontinued.

Thresholds will be increased by more than the rate of inflation, to remove many people from the tax system altogether.

There was one pleasant surprise, which was the decision not to levy national insurance contributions on "unearned" income of more than £3,000 for people below retirement age.

This was viewed as a serious disincentive to saving, but Labour have now withdrawn, mainly because it would adversely affect the many people living on income from invested redundancy pay-offs.

Last week the *Weekend FT* visited five sample households and, with the aid of

Michael Bishop and Clive Mackintosh of the executive & benefit services division of Price Waterhouse, analysed what effect Lamont would have on their household budget.

We can now, with Price Waterhouse's aid, revisit the households and see how they will do under John Smith.

The results are in the table. Bear in mind that all our basic comparisons are between two Budgets both of which at present are hypothetical.

Ted Herker, is in his early 70s and lives on a modest pension, plus income from savings. His total income is £25,000. He is single, with no mortgage.

He has the benefit from the new 20 per cent band of income tax, which would have saved him £100 per year. However, the additional £5 per week which Labour would put on the standard state retirement pension comes to his rescue. As a result, he ends up better off by £288 per week under Labour than he would be under the Tories' new budget, or £5.35 better off than he is now.

Beverley Williams, is a young, single woman on a salary of £15,000 a year, and living in a rented flat. She has no commitments, but her financial situation is otherwise almost exactly in line with the national average.

It may therefore not be a coincidence that Labour would leave her totally unaffected. As the table shows, she would pay more tax, thanks to the axing of the 20 per cent band, but less in NICs, thanks to

increases in threshold.

The result: she will be a princely £2.48 per week better off under Labour than she is now, exactly the same figure as for the Lamont budget.

David Wallace and Caroline Campbell live in a house they bought together in 1989. They have a £50,000 mortgage, of which interest on the first £30,000 is subject to relief under MIRAS. They both work for a building society, earning £12,500 a year apiece. This makes them "DINKY's" – they have a double income, with no kids yet.

Despite their greater commitments, the maths for David and Caroline work out almost identically to the changes for Beverley Williams.

Their tax-efficient loan thanks to MIRAS survives untouched. Both benefit from the increasing thresholds, while both lose out slightly from the axing of the 20 per cent band.

Neither of them individually is close to the current ceiling for national insurance contributions, so the net result is exactly the same as for Beverley – a Labour budget would make no difference at all. Either way, they are £5.58 better off per week than they are now.

Fiona and Peter Ellsworth will be less happy about Labour's proposals. They are married, with two children. Fiona is the main breadwinner. She earns £40,000 a year as a solicitor and has a company Golf GTI which completes the year with a business mileage of under 2,500 miles.

Peter, a librarian, earns £10,000. They have a £50,000 mortgage, on which interest

relief on the first £30,000 is available under MIRAS.

They will be grateful for Labour's rise in child benefits, which will move up from £907, under John Smith, to £1,036 under John Smith. But the change to National Insurance contributions hit Fiona's take-home pay. If the ceiling is lifted under Labour, her NIC bill shoots up from £1,689 to £3,347. Changes to the Married Couple's Allowance and raised thresholds allow them to avoid any higher Labour taxes, and the couple's total tax bill declines from £12,076, under the budget, to £11,854. However, there is another £307 to go and that is the case for Fiona.

The net result is to leave the couple £9,83 per week worse off than they would be under Lamont's budget, and £26.42 worse off than they are now.

James and Henrietta Hamilton, who are lucky enough to have a joint annual income of £100,000, are unlucky enough to tie for the greatest hit under Labour. James is a company director on £90,000 per year, while Henrietta has an income of £10,000 per year from investments. Their children have left home.

The new 20 per cent tax rate increases James' tax bill from £30,279 to £35,123, while his NICs go from £1,689 to £7,447. Changes to car benefit put the bill for operating a company car up from £5,956 to £7,445.

The net result is to leave them £241 worse off each week under Labour than they would be under the Conservative budget. James and Henrietta were not going to vote Labour anyway.

Old age pensioner		Con.	Lab.
	1991-92	1992-93	1992-93
Income	10,000	10,000	10,260
Outgoings	1,495	1,350	1,460
Tax	600	617	617
NIC	1,161	1,153	1,097
Alc & cigs	600	617	617
Tot costs	2,095	1,967	2,077
Free inc	7,905	8,033	8,183
Total gain		£2,46pw	£5.34pw

Single earner		Con.	Lab.
	1991-92	1992-93	1992-93
Income	15,000	15,000	15,000
Outgoings	2,926	2,788	2,844
Tax	1,161	1,153	1,097
NIC	600	617	617
Alc & cigs	600	617	617
Tot costs	4,687	4,558	4,558
Free inc	10,313	10,442	10,442
Total gain		£2,47pw	£2,47pw

Couple living together		Con.	Lab.
	1991-92	1992-93	1992-93
Income	25,000	25,000	25,000
Outgoings	4,602	4,327	4,438
Tax	1,671	1,638	1,745
NIC	5,400	5,400	5,400
Alc & cigs	11,873	11,583	11,883
Tot costs	13,127	13,417	13,417
Free inc	12,873	12,442	12,442
Total gain		£5.59pw	£5.59pw

Married with children		Con.	Lab.
	1991-92	1992-93	1992-93
Income	10,000	10,000	10,000
Outgoings	5,781	5,907	5,035
Husband	5,781	5,907	5,035
Wife	40,000	40,000	40,000
Chd ben	871	871	871
Total	50,871	50,907	51,035

Outgoings		Con.	Lab.
	1991-92	1992-93	1992-93
Husb tax	1,245	1,109	1,549
Wife tax	11,127	10,987	10,307
Mortgage	5,400	5,400	5,400
Car	1,830	1,834	2,221
Alc & cigs	600	617	617
Husb NIC	711	703	647
Wife NIC	1,636	1,599	3,347
Tot costs	22,550	22,409	24,088
Free inc	28,321	28,498	26,947
Total gain/loss		£3.49pw	-£26.42pw

Source: Price Waterhouse

What will Labour do with Serps?

THE LABOUR Party's commitment to increase the old age pension by 25 for single people and 22 for couples is well known, but little has been said about the party's plans to revitalise the State earnings-related pension scheme (Serps) and to roll the drive towards personal pensions.

Since 1988, 4.6m employees have opted out of Serps using personal pension plans, switching a big chunk of pensions provision from the state to the private sector.

Personal pensions have widened choice. Before 1988, it was only possible to opt out of Serps through an approved occupational scheme. Now, the employer did not offer such a scheme, the employee was automatically in Serps.

However, a Labour Government would seek to re-establish Serps and good final salary schemes as the twin pillars of UK pension provision. Serps and most UK occupational schemes are based on the final salary concept. Under occupational schemes, each year of service builds up to a pension based on the employee's salary at retirement.

In a money purchase scheme – such as personal pensions – contributions are invested to build up a fund which buys an annuity on retirement. This means that the level of pension depends on the fund's investment performance. There is no guaranteed pension or link.

FINANCE AND THE FAMILY

Labour home price fears

Entering the housing market?
David Barchard has some advice

BRITAIN'S home owners, already battered by the worst housing market in half a century, had better brace themselves for further nasty shocks if Labour wins the general election.

People used to say that if there was to be a Labour government the first thing one should do was to buy a house by taking out the largest obtainable mortgage and wait for inflation to whittle the debt away.

That was in the 1960s and 1970s, when inflation usually ran well ahead of interest rates.

That experience is unlikely to be repeated in the 1990s. A Labour government is going to have to live inside the disciplines of the European monetary system and interest rates and the cost of borrowing will march in line with inflation.

Add to this picture, a housing market full of homes that cannot find buyers and there are obvious grounds for apprehension about the effects of a drastic change in economic policy.

"We think that some of the measures the Labour Party are planning could be devastating for the housing market," says mortgage broker John Charcol.

People who earn more than £40,000 will be hit by the new 50 per cent on income tax, and Charcol fears that a good proportion of people with incomes above £50,000, who borrowed at the height of the housing boom, may find themselves unable to keep up mortgage payments as a result.

Some people, who would have been moving up the housing ladder, may find themselves having to move down, leading to a larger number of higher value properties coming onto the market.

One of these is a rise in interest rates. These tend to be at their lowest around election time and to rise afterwards. Economists in the City are forecasting a rise in interest rates of between half a percentage point and two full percentage points in the month after April 9.

By the summer, on a pessimistic projection, the market could find itself struggling to contend with base rates of perhaps 12 or 12.5 per cent and mortgage interest rates around 13 per cent. A one per cent rise in base rates is perhaps more likely, implying a mortgage interest rate of 12.5 per cent.

In such circumstances, would-be home buyers are likely to think twice about entering the market. So, instead of a revival, we are quite likely to see things getting worse.

It is more probable that the fall in house prices will accelerate, at least until base rates

come down.

John Wrigglesworth, housing finance analyst at UPS Phillips & Drew, reckons that prices could plunge by as much as a further five per cent if base rates rise sharply.

Even if base rates do not shoot upwards, building societies and banks are going to find it difficult to hold down their mortgage interest rates. There are two reasons for this.

One is that rates are already too low. The lenders cut rates in January, expecting a further half a percentage point cut in base rates in the budget. It did not happen and the margin between their lending and savings rates is now too narrow to be sustained.

A second reason is that building societies are under pressure on their savings business and, if they have to compete with a government which is also trying to attract savings to finance its budget deficit, they will have even less scope for holding down rates to borrowers.

Building society savings accounts look distinctly unattractive compared to other investments such as gilts.

But perhaps savings

accounts generally will be a better place for your money than housing. "I don't think

you would expect much house price inflation under a Labour Government and if there is a good interest rate available on deposit you should sell and invest the money, but that depends on people's circumstances," says Professor Congdon.

The main concern will be the dividend which was cut last

The Week Ahead

FULL-YEAR figures from P&G, the shipping, construction and property group, on Tuesday are expected to show a drop in pre-tax profits to around £200m - £210m from £261.3m in 1990. This will be the second year of sharply falling profits, though the forecast assumes a more stable second half after interim figures showed a plunge to £73.1m (£182.1m).

P&G's balance sheet was bolstered by a £60m rights issue announced with the interim, when a maintained final dividend was promised.

On Wednesday Reckitt & Colman, the consumer products group, should report a rise in annual pre-tax profits to around £236m-£250m, up from £223.2m in 1990. The main feature will be the performance of Boyle Midway, the US business bought in 1990, in its first full year when some significant savings have been made. Also the benefits of the restructuring of the European businesses on Wednesday, when analysts believe it will show a drop in net income of some £10m to £71m as a result of low oil prices. But the company is also planning to change its accounting practices.

Burmah Castrol, the refining and lubricants company, reports on Thursday and although more insulated from the low oil price than exploration companies, is expected to show a fall in net income to £27.2m from £29.7m the previous year.

Underlying sales growth should be about 20 per cent, with Zovirax, the herpes treatment, and Retrovir, the Aids drug, performing well. Analysts will also be looking at the performance of new products such as Exosur, a respiratory drug, and Wellbutrin, an antidepressant.

Imasco, the independent oil exploration and production company, will report its results on Wednesday. Analysts believe it will show a drop in net income of some £10m to £71m as a result of low oil prices. But the company is also planning to change its accounting practices.

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COMPANY NEWS SUMMARY					
TAKE-OVER BIDS AND MERGERS		Value of bid per share*			
Company bid for	Market price**	Price before bid	Value of bid	Value of bid**	Bidder
Prices in pence unless otherwise indicated					
Lawrence (W.)	49 1/2	50	23	24.00	Rains Ind.
	53.95	53.8	22.1	22.10	Lloyds Chemicals
Polymark Ind.	37 1/2	36	34	4.33	Polyflame
Do. Pld. A	164 1/2	163	151	5.08	Reckitt
Stedley	57 1/2	371	274	501.51	Toms Fabrikator
Tavemos	165	155	130	4.77	Petrocon
Wilkes (J.)	151 1/2	147	177	26.89	

*All cash offer. **Cash alternative. If no cash alternative held, unconditional. Based on 25p share price quoted 14/2/92. *Shareholders, **Shareholders and Cash.

1/2/92. *Shareholders, **Shareholders and Cash.

FINANCE AND THE FAMILY/LIBERAL DEMOCRATS

THE ELECTION AND YOU

The radical
Liberals

Scheherazade Daneshku on the Lib Dem's far-reaching tax plan

IF YOU WANT radicalism, vote Liberal Democrat. The party's plans include a complete overhaul of the tax and social security systems, setting them apart from the Tories and Labour. Sceptics might argue that as the third party, the Liberal Democrats have the luxury of putting forward ambitious plans they know they are unlikely to have to implement.

The Lib Dems aim to create a simpler and fairer system of taxation and pensions to benefit those on low incomes at the cost of the very wealthy.

What follows is a broad summary of the main ideas.

■ **Income tax and National Insurance.** These taxes are to be integrated into one. The 20 per cent band introduced by Norman Lamont would be abolished and is added to the basic rate of tax, making it 26p.

Those earning up to £33,000 would pay 35 per cent tax on income (25 per cent in income tax and 9 per cent National Insurance); at £33,000 up to £50,000, the rate would be 42 per cent (35 per cent income tax and 9 per cent NIC); those earning over £50,000 would pay 50 per cent (41 per cent income tax and 9 per cent NIC).

The party estimates that 90 per cent of taxpayers would fall into the first band. Pensioners and small savers would be entirely exempt from NIC.

■ **VAT.** Would be reduced by 0.5 per cent in 1993/4 and a

further 0.5 per cent in 1995/6. ■ **Personal allowances:** These would eventually be replaced by a tax credit system. Individuals now deduct their personal allowance from their earnings to obtain their taxable income. This benefits higher rate taxpayers in particular because the allowance reduces that element of their earnings which is taxed at the top rate.

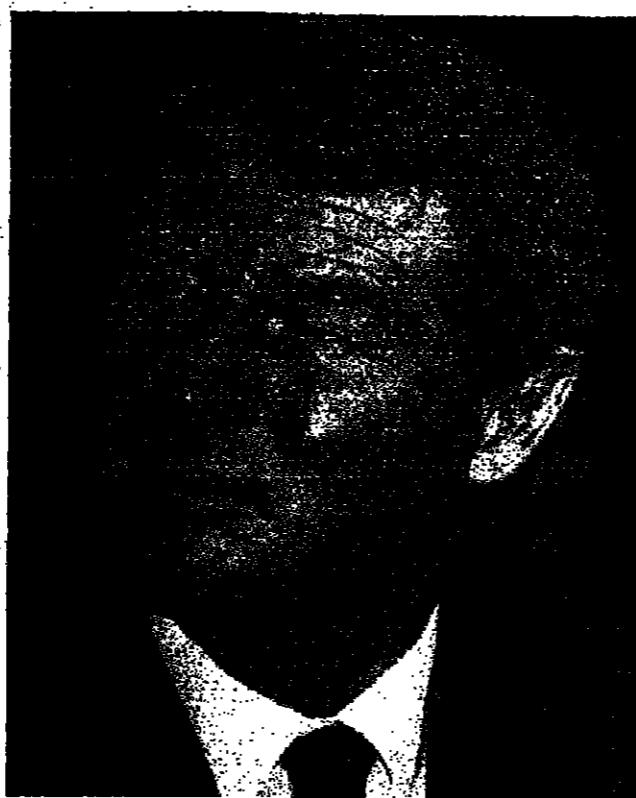
Under the Liberal Democrats' tax, would be calculated on gross earnings. The "tax credit" would then be deducted from this figure. The effect would be to equate the worth of the tax credit between the various tax bands.

■ **Married couple's allowances:** This would be frozen and the Chancellor's proposal to allow its transferability adjoined to Capital Gains Tax. Radical reform again. The system of CGT exemptions would be removed. A lower CGT threshold would be established but there would be some transferability of allowances between income and capital gains.

■ **Inheritance Tax.** Like Labour, the Liberal Democrats want to reform this tax to make the beneficiary, and not the estate, liable for IHT. You would be given a £50,000 IHT exemption. If it is used up, you would then be granted a £5,000 annual allowance which would roll-up for 10 years. So the maximum IHT exemption would be £50,000.

The party estimates that 90 per cent of taxpayers would fall into the first band. Pensioners and small savers would be entirely exempt from NIC.

■ **Capital Gains Tax.** Radical reform again. The system of CGT exemptions would be removed. A lower CGT threshold



Paddy Ashdown: a new system

The aim is to encourage wider distribution of wealth. If you left £150,000 to your eldest son, he would pay IHT on £100,000. But if you left it to your three children, there would be no IHT. There would be exemptions or concessions for family businesses.

■ **Taxes.** PEPs: To be replaced eventually by a single savings scheme known as a Registered Savings Account. This would be an account for tax purposes into which cash deposits, shares or money for a pension, would be placed. Means testing would end and everyone would receive the pension by right. It would be funded partly through the abolition of the State earnings related pension scheme (Serp), though those with Serps entitlements would receive their Serps pension.

The retirement age would be 65 years for men and women.

ing relief on income and capital gains. There would be income tax to pay once you received the savings.

■ **Pensions.** The aim is to increase the basic state pension immediately. For single pensioners, this would mean a rise of £5 a week and £8 for married couples. Means testing would end and everyone would receive the pension by right. It would be funded partly through the abolition of the State earnings related pension scheme (Serp), though those with Serps entitlements would receive their Serps pension.

The retirement age would be 65 years for men and women.

RESULTS DUE									
Company	Announcement date	Dividend (p)*			Company	Announcement date	Dividend (p)*		
		Last year	This year	Int.			Int.	Int.	Int.
FINAL DIVIDENDS									
Appleyard Group	Thursday	2.6	5.2	2.6	Medeva	Wednesday	-	0.75	0.5
APV	Thursday	2.0	3.4	2.0	Microvitec	Wednesday	0.1	0.2	-
Arco Energy	Monday	2.0	4.0	2.1	Morrison (Millennium) Supermarkets	Thursday	0.35	1.2	0.4
Argee	Wednesday	0.7	-	-	Oriat Group	Wednesday	1.5	3.0	1.8
Ashtons (Beds)	Monday	1.75	1.0	-	P-E Inv'l	Wednesday	0.6	1.2	0.8
Berry & Wallace Arnold	Tuesday	3.0	6.75	3.0	PGI Group	Monday	2.0	4.0	2.0
Bennross Corp	Monday	4.3	7.45	4.3	Plasmas	Wednesday	1.8	3.5	2.0
Boddington Group	Wednesday	2.15	3.65	2.25	Portmerion Pottery	Tuesday	13.5	17.0	13.5
Bodmin	Thursday	7.25	10.0	7.25	Process Systems	Thursday	1.8	1.8	-
Boustead	Thursday	2.5	3.5	2.5	Reckitt & Colman	Friday	2.25	5.1	2.25
Brake Bros	Tuesday	0.55	1.1	0.55	Relyon Group	Wednesday	3.6	6.8	3.8
Brinkers Properties	Tuesday	1.5	3.75	1.65	Richardsons Westgarth	Wednesday	12.25	21.75	5.5
Brown & Root	Friday	1.75	2.85	1.75	Secure Tit Group	Friday	1.75	3.15	1.75
Brent Chemicals	Monday	1.6	5.8	1.6	Sharp & Fisher	Wednesday	1.2	1.55	1.2
British	Tuesday	2.5	5.5	2.5	Shaw Group	Wednesday	3.65	5.15	4.25
British Alcan Aluminium	Wednesday	-	-	-	Slough Estates	Thursday	-	-	-
Brown & Root	Thursday	2.6	3.2	2.6	Spear (JW) & Sons	Thursday	-	-	-
Burford Holdings	Thursday	0.4	0.45	0.45	Spring Ram Corp	Monday	0.14	0.34	0.08
Burnham Castle	Thursday	8.5	14.5	8.5	St. James' Place Inv'l	Wednesday	3.6	3.6	-
Cantons (W)	Monday	2.94	4.25	2.95	Tibbet & Britten	Thursday	2.9	6.3	3.4
Cantons (W)	Tuesday	3.3	5.5	3.3	TI Group	Tuesday	2.0	3.0	2.2
Clement Germaine	Monday	-	-	-	United Newspapers	Thursday	7.5	13.5	7.5
Clarkson (Horizon)	Thursday	2.75	5.25	2.75	Ward Group	Wednesday	2.2	5.1	3.1
Clifford Foods	Wednesday	4.0	7.0	4.4	Woolwich Building Risk	Thursday	6.3	10.0	6.3
Colgate Palmolive	Wednesday	-	-	-	Woodchester Inv'l	Monday	1.25	1.51	-
CMW Group	Thursday	1.63	1.6	1.6	Worcester Group	Tuesday	1.33	2.68	1.33
Coats Vycelle	Tuesday	3.0	4.0	3.0					
Colorgraphic	Tuesday	2.0	4.08	2.0					
Cousins Property Group	Tuesday	3.0	3.0	3.0					
Derves Valley	Tuesday	2.75	5.5	2.9					
Dolphin Packaging	Wednesday	1.5	2.8	1.7					
ECG Group	Wednesday	3.5	5.5	3.5					
Edinburgh Oil & Gas	Monday	0.65	1.34	0.68					
Epsita Group	Tuesday	-	-	-					
Era Group	Tuesday	2.1	4.3	2.1					
Evolve Inv'l	Monday	1.0	0.21	1.0					
Gest	Tuesday	3.25	3.75	3.6					
Gibbs & Dandy	Wednesday	-	-	-					
Gold Petroleum	Tuesday	-	-	-					
Goodwin	Wednesday	0.05	0.05	0.05					
Heathrow	Wednesday	6.5	9.35	5.5					
Hibernian Group	Monday	1.75	3.45	1.9					
Hungate	Friday	1.5	2.65	1.5					
Imperial Finance Foods	Wednesday	2.3	4.9	2.6					
Invergordon Distillers	Tuesday	2.0	3.0	2.5					
Isle of Man Steam Packet Co	Monday	2.0	6.0	3.0					
ISG Optima Inc	Tuesday	1.75	1.8	1.8					
ITV	Wednesday	n/a	n/a	n/a					
Jardine Strategic Holdings	Thursday	-	-	-					
Jefferies Group	Thursday	2.2	3.2	2.6					
Kingfisher	Wednesday	3.8	8.4	4.0					
Kingsgate	Wednesday	3.5	8.5	4.0					
Lepore	Tuesday	6.4	11.4	6.8					
LASMO	Wednesday	2.2	4.75	2.3					
Linstrand	Monday	2.0	2.7	2.0					
Maitland	Tuesday	2.0	4.0	1.5					

INTERIM DIVIDENDS									
Amber Day	Tuesday	0.9	-	-	Amber Day	Tuesday	0.9	1.8	-
Barclay Developments	Wednesday	2.21	-	-	Bridgford	Wednesday	1.5	2.6	-
Burn Stewart Distillers	Wednesday	-	-	-	Community Hospitals	Monday	2.2	3.8	-
Cambridge	Wednesday	-	-	-	Corporation	Wednesday	3.2	10.6	-
Cleaton	Tuesday	3.12	8.74	-	Gleeson (MJ) Group	Thursday	0.5	1.5	-
Gibson	Monday	2.75	6.75	-	Kalamazoo	Wednesday	0.5	1.5	-
Global Development Fund	Monday	2.7	6.8	-	Lloyd Thomas	Monday	2.7	6.8	-
Hedgehog	Wednesday	2.75	7.5	-	Milegate Group	Thursday	0.5	1.5	-
Murray Ventures	Thursday	3.4	6.8	-	Murray Ventures	Thursday	3.4	6.8	-
NTT Holdings	Thursday	0.55	0.5	-	NTT Holdings	Wednesday	0.75	1.65	-
Paragon									

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FINANCE AND THE FAMILY

Jumping on the bond bandwagon

John Authers discusses international bonds for short-term investment

THIS TIME last year, the unit trust industry was piling into a previously under-exploited sector: international bonds. Unit trusts have always been regarded in Britain as primarily an equity vehicle; but at the beginning of 1991 a series of the bluest-chip names in the industry, including Mercury, Baring, Fidelity and Newton, launched bond funds.

The argument was simple. The world was near the trough of a recession, and a recession traditionally is the best time to buy bonds. Yields are high. Then, as interest rates come down, investors need a lower yield to tempt them into bonds.

The reason, of course, is that the recession has not ended on cue. The pattern is not uniform across the world, but there are still several economies which are yet to see significant cuts in interest rates.

International bonds were favoured because British bond rates were falling already. Meanwhile, European interest rates were ready to fall, while currency risks had been lessened by entry into the Exchange Rate Mechanism (ERM). Also, international bond funds have a more favourable tax position than gilt funds. So investors could

look forward to a quick, tax-efficient gain.

Has it happened? Not really. Over the past year, the average fund in the sector has grown 9.3 per cent, not nothing spectacular, although this does put the sector slightly ahead of international growth equity funds, which have put on 7.2 per cent.

Of the brave new bond funds from last year, Mercury's Global Bond unit trust, now worth an enormous £15.5m, is ninth in the sector, having grown 9.9 per cent. Baring's fund is up 9.4 per cent. Fidelity's 10.5 per cent (seventh in the sector) but Newton's only 3.3 per cent (last of the 22 funds with a year's record).

He says the interest rate reductions which had been forecast for Europe have been tempered by the ERM and, more recently, by a troubled wage negotiation round in Germany. Economic troubles there

have helped to keep other European economies offering rather better rates than they would do otherwise; in particular, Oppenheimer notes that France, which has a low inflation rate, is offering real bond yields (above inflation) of 7 per cent. French bonds, therefore, seem overdue for a strong rally.

He adds that when the Bundesbank does cut base rates, it usually does so quickly and substantially. In each of the last two recessions, it cut four percentage points off base rates in 12 months.

Oppenheimer's analysis is shared by many fund managers. Ian Ainscow of Commercial Union, whose PPT Global Bond fund, aimed primarily at umbrella funds, leads the sector over three years -

says the fund is as underweight as it can be in dollar bonds. It aims to beat the Salomon Brothers' World Bond index, 50 per cent of which is in dollar bonds, so this still requires a heavy amount of US stocks.

CU has twice the index weighting in France and is also heavily overweight in Spain. And it has a heavy allocation of yen bonds, anticipating that the Japanese economy is moving into a severe slow-down.

Mercury, however, believes that US bonds should continue to make progress providing fiscal measures are not considered to be "unduly aggressive".

But its distribution at the beginning of the year included 33.9 per cent in France, 11.5 per cent in Spain and 14.4 per cent in Japan.

So the chance of a strong gain in the short term is still there. Whether you should look at bonds as a capital growth investment for the long term is another matter altogether.

Over the past 10 years, the four funds which have been giving this long have managed average growth of 165.6 per cent, according to Micropal International growth equity

funds grew 256.7 per cent over the same period, and UK growth funds 321.4 per cent. Traditionally, bonds have been prey to the ravages of inflation although this may change in the 1990s, in the view of some commentators.

The five-year figures, which reflect the full impact of the October 1987 crash on equities, show that while the sector has moderate attractions for the risk-averse investor, they should not be overstated.

Although the average international bond trust beat a UK growth trust, the return for investors since March 1987 was just 18.8 per cent (a compound rate of only 3.5 per cent per year).

The following view from

Fidelity, therefore, seems to make sense: "An international bond exposure could be recommended for investors who expect interest rates to continue falling but who are not confident enough to put their money into equities."

Do not, however, expose yourself to international bonds without examining conventional and index-linked gilts first. They are better for the security-conscious investor.

tion by new chairman.

Take Grand Metropolitan. Some shareholders no doubt invested in it as the hotel company fits its name suggests. They will recall how rapturously the acquisition of Intercontinental Hotels was greeted - "a leading hotel in every city of the world."

Yet seven years later, they were being cleared out like old rubbish as (in the words of the annual report) the new chairman Sir Allen Sheppard, carried out "a complete reorganisation of the business portfolio."

The small investor should perhaps take note of the word "portfolio." In this case, he has benefited from the transformation of GrandMet into an international food and drinks company based on hamburgers and a galaxy of brand names. But such forced changes of focus are by no means always successful.

Ask the shareholders of Barker and Dobson, who thought they had put their money in boiled sweets and jujubes - handed out in sacks at the arm - but, after the advent of John Fletcher as chairman, found themselves, to their cost, the owners of an extensive chain of supermarkets.

Harry Hopkins

The small investor and the big takeover

and the company had transplanted its simple formula successfully across the Atlantic. It had no bad in England.

At this point, however, Michael Ashcroft's Hawley Group, which already had a holding in BCA, made an all-share bid for the group. The stated aim was to add another service leg to Hawley's contract cleaning, while providing capital for BCA's US expansion.

Again, there was a satisfactory profit on the deal. That might have caused shareholders to overlook the fact that AGMs would henceforth be held in Hamilton, Bermuda, where the company was registered.

A few months later, Hawley

took over a large electronic security group, American District Telegraph, and followed by changing its company name to ADT. At a presentation meeting for British shareholders, Ashcroft assured those puzzled by this change that while ADT might mean little in England, the initials had long been famous in the US.

Using a film and diagrams, he reassured shareholders further that ADT was bound for steady, sober growth thanks to the relatively recession-proof supports of car auctions and electronic security.

This, however, was some

time before the company embarked on a course of investing its funds in a diverse range of service enterprises such as BAA, LEP Group and Christie's - in the latter case, just as the bottom was falling out of the once-fabulous art auction market. BCA's former shareholders have watched ADT's share slide from over £12 to a low of £2.80 over the past 14 months.

It is not only in the service industries that investors may find their portfolios transformed willy-nilly. How many

holders of John Brown, which

had transcended its great Clydeside shipbuilding past

successfully, can dream that they would find themselves sharing the conglomerate roof of Trafalgar House?

Did the holders of Northern

Engineering Industries realise that they would vanish into the maw of Rolls-Royce just when long awaited power-station contracts were on the horizon?

Even without takeovers, though, investors may find the shape of their portfolios changed almost out of recogni-

tion by new chairman.

Take Grand Metropolitan. Some shareholders no doubt invested in it as the hotel company fits its name suggests. They will recall how rapturously the acquisition of Intercontinental Hotels was greeted - "a leading hotel in every city of the world."

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Harry Hopkins

Why Lautro needs you

IF YOU are one of the tens of thousands of investors who bought a single-premium with-profits bond within the past two years, read this.

Lautro, the self-regulatory body for the life insurance industry, wants to know what you thought you were buying when you signed on the dotted line. After reviewing the advertising literature of six of the largest purveyors of this product - by far the most widely sold insurance product in 1991 - they think you may have been misled. If you were, the product provider will be

required to explain matters fully to you in writing and if you are dissatisfied, you may be eligible for a full refund.

While exact figures are hard

to come by, the industry

estimates that some £30m of

these policies are outstanding.

Last week, Lautro sent a

letter to all life companies with

details it may have been

misrepresented to consumers in the sales pitch. It has asked for copies of "sales scripts"

- the verbal assurances that

were made to you about the

product - as well as sales

literature.

In particular, Lautro is

concerned that consumers signed up for the policy

believing that it was simply a higher yielding form of

building society deposit account, that the current high

bond rates were likely to

continue and that withdrawals could be made without loss of principal.

Also, Lautro believes the

advertising too easily

Regulators may merge

PRIVATE individuals could have a regulatory body devoted to their investment business from April next year.

The new body would bring together jobs done by various regulators at the moment, in particular Lautro (which oversees the marketing of life assurance and unit trusts) and Fimbra (which is responsible for a motley array of financial advisers, investment managers and insurance brokers).

The reason for the change: many independent advisers have been driven to become sales agents of life assurance companies. Sir Kenneth Clucas, who had been asked by the Securities and Investment Board, the chief investment regulator, to study the problem, warned this week that the body could get locked into a "vicious spiral". As members leave, the costs of regulation rise for those that remain, forcing more members to leave.

Fimbra members are mostly paid by commissions, and cannot pass the costs of regulation on to their customers, said Sir Kenneth. He concluded: "The demise of Fimbra would be

bound to threaten the continued availability of a wide choice of financial advice."

His recommendation is one watchdog to oversee both sales agents and independents, thus sharing the costs of regulation. To this new super-regulator could be added some of the investment managers currently overseen by another body (Imro), together with insurance brokers who answer to the Insurance Brokers Registration Council. The SIB recently welcomed these ideas and has set about creating a formation committee to bring the new body into existence, so it has a fair chance of happening (though without the support of a large proportion of life companies, it may never get off the ground).

The results may not be a renaissance in independent advice. The SIB is pondering proposals on how commissions paid by life companies are disclosed, and the complete separation of independent advisers and sales agents. These, say independents, still leave them at a disadvantage.

Richard Waters

Safer cheques

THE CHEQUES ACT, a private member's bill sponsored by Conal Gregory MP, became law on Monday.

It means that writing "account payee only" on cheques makes it impossible to divert them to a third party.

Cheques crossed in this way are now non-transferable and can only be paid into the account of a named party. If funds are wrongly paid out, the error lies with the collecting bank. The original and beneficiary of the cheque are both protected.

Though the Act is now law, it will take three months before its commencement orders are issued and it begins to function.

Several of the high street banks, including Barclays and Lloyds, say they are considering issuing personal customers with cheques marked "account payee only".

David Barchard

Customers who want to issue transferable cheques - mostly small traders in a few traditional markets - would be able to request old-style cheques.

For the rest of us, the account would offer greater security from having payment diverted by a fraudster, though there may be complications in cases where a cheque issuer gets a payee's name slightly wrong.

But watch out. The change does not apply to another expression commonly written on cheques: "not-negotiable". Not-negotiable is not another way of saying that a cheque cannot be transferred. What it means is that if the cheque is transferred, the new payee has no better claim over the payment than the original payee - for instance if the cheque is stopped.

It is the dream of many to flee The Smoke and set up shop in a rural idyll as far as is practically possible from the grind of big city life. Kieron and Anne McGrath have done just that. They escaped London in 1981 and bought a small house and a three acre plot in Somerset. Eight years later, when Kieron no longer wanted to be

away from home as a navigation technician for a US oceanographic company, they added a computer service and desk top publishing business in nearby Taunton to the smallholding.

The couple love living in the heart of the West Country and being their own bosses. But it is not all milk and honey. "There's a lot of hard work and a lot of stress," says Kieron. It is not wildly profitable either. Last year the computer and design business had a turnover of £30,000 and Kieron took a salary of just £7,000. The previous year, turnover was £16,000 and Kieron extracted nothing.

Anne, a former buyer for Liberty's, readily concedes that making a living out of a three-acre patch of land is a pipe dream. "If you can provide cheap food for yourselves and enjoy working

on the smallholding, then any profit is a bonus."

With pigs, sheep, ducks and hens, vegetables of the slightly more unusual variety and flowers for commercial sale, the Bell & Birdtable smallholding sold £5,000 worth of produce last year on which it made a £1,000 profit. It does mean that shopping will not break the bank. "Our weekly food bill is about £10 to £15," Anne says. What gives the couple's finances together is Anne's yearly income of £26,000 from a trust fund.

Kieron bought an Amstrad computer for his own use in 1987 and found himself drawn into helping friends wrestling with computer systems in their small businesses. He had no experience of desk-top publishing but a chance meeting with a

graphics designer living across the field in Rivington started the ball rolling and the two of them started working together at the end of 1990. Since then he has bought a Quadram by Trader Desk with a 40 megabyte memory and an even faster machine, a Dan Technology with 210 megabyte hard disc for £1,800. With a scanning device which can read a hand drawing and transpose it onto a computer screen, Kieron says this gives him an adequate desk-top publishing system.

Kieron is determined to keep the business in his own hands but the economics do not work in his favour and he knows it. The two graphic artists he employs charge £15 an hour. For many clients, Kieron adds a surcharge of just £2.50 for the company's hourly rate. "We have to be very

careful how much we charge. Companies down here are unhappy paying more than £20 an hour. A few might go up to £25. You have to work hard encouraging people to spend."

Customers for the design business which uses the trade name Dancing Pig, and counts for two-thirds of turnover, include the Rural Development Commission, a Devon springwater supplier, a willow furniture maker in Bridgwater and a local independent school. Contracts range from a leaflet or prospectus to helping shift a "corporate image", if that is not too grand a term for tiny companies fretting about a naff logo or dull brochure.

Kieron is also worried about competition. "There isn't much around here at the moment but the cost of entry into this business is coming down and down. I think we'll have to start offering some form of marketing service."

For the time being, the little company has to cope with more mundane problems. Forced to leave its premises - one office and use of the boiler room in a local authority assisted block (rent £35 per week) - it is moving to another subsidised location ten miles away. It is also making its first foray into advertising, spending £400 for one year in Yellow Pages.

Meanwhile, back at the ranch, Anne explains what she has to do to make even a small profit. "You must start vegetables off in optimum conditions and then sell off to customers something a bit different."

For the first half of the plan, vegetables and flowering plants at the Bell & Birdtable spend the early part of their lives in a "propagating" environment - alias a former bedroom. Growlights consume a miserly 2.5p of electricity a day and the heater sips a gallon of paraffin a week.

For the second part, Anne cultivates somewhat unusual vegetables such as eight varieties of lettuce, purple and yellow beans, squashes and peppers. It is pork though that is the biggest seller, the small-holding is home to 22 squealers.

"With commercial producers, pigs are usually killed at about 15 weeks, kept in small pens, fed to put on weight quickly and producing soft meat with no muscle," Anne says. "Thin skin makes for weak crackling."

I keep my pigs outside all the time to the age of six and a half months and feed them on barley and soya mix with no animal protein. Many pigs are also fed whey but I don't feed them any milk products."

Anne sells her produce at the door and to local restaurants and pubs. "Selling to shops is a dead loss because of the margins." She has four freezers, each bought for just over £200 and sells half pigs at £1.50 a pound, smaller leg portions going for £2.50 a pound.

Although decamping into the countryside has not proved lucrative so far, "it is a wonderful place to live though," Kieron says.

■ The Bell & Birdtable, Wellington, Somerset TA21 0QW. Tel: 0933 663080.



Mixed crops: Kieron and Anne McGrath with their personal computer and a few of their 22 pigs

When computers help to bring home the bacon

Nick Garnett on a couple whose rural idyll is funded by two very distinct businesses

A N ODD message echoes out from the answer phone at the McGrath's home in the hamlet of Rivington.

"This is Somerset Computer Services and Dancing Pig printing and design at the Bell & Birdtable," it says. "Whether it's computer services, printing or meat and vegetables from the smallholding you are interested in, please leave your telephone number."

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Directors' Transactions

High volume

THE stock market's cautious reaction to the Budget and the general election elicited the expected response from directors: the volume of selling increased. Such a reaction may be due to concern about the possibility of higher tax on capital gains under a Labour administration, although that was not mentioned in John Smith's alternative Budget.

Trevor Hammons, the director in charge of the leisure division at Scottish & Newcastle, has made sales totalling 3.6m shares. Scottish & Newcastle shares have climbed steadily from around 30p in mid 1990.

If further evidence of directors locking in substantial capital gains was required, it was provided by Domestic & General, the insurance company. Martin Copley, the chairman and Howard James, the managing director, sold 1m and 100,000 shares respectively at 950p, in both cases reducing their holdings by around 40 per cent. Shares in Domestic &

Sales

Company	Sector	Shares	Value	No of directors
Allied Textile	Text	5,000	21	1
Berry Birch & Noble	InsB	35,000	32	1
British Vt	Chem	136,291	332	1
Cable & Wireless	Tele	57,533	35	1
Cutter Allsorts	Oth	5,007	17	2
Computer	EngG	7,500	21	1
Domestic & General	InsC	1,100,000	10,450	2
Edmond Holdings	C&C	100,000	37	1
Electrocomponents	Eins	31,125	63	1
Fairway (London)	Misc	22,350	14	1
Greggs	FdRe	14,500	57	2
Henderson Admin	Oth	75,000	511	4
Marks & Spencer	Stor	36,018	114	1
Mercury Asset Man	Oth	75,000	273	1
More O'Ferrall	Med	135,426	328	2
Phyus	Chem	25,000	65	1
Property Sec Inv	Prop	350,000	350	1
Sainsbury (J)	FdRe	42,319	165	1
Scot & Newcastle	Brew	3,600,000	16,225	1
Securicard	BuSe	36,638	56	2
TGI Group	Eins	94,000	33	3
Water City of London	Prop	50,000	33	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. The list contains all transactions in shares in the exercise of options. (*) 100,000 shares were recently sold for a value over £10,000. Information released by the Stock Exchange 8-13 March 1992. Source: Directus Ltd, Edinburgh

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HOW TO SPEND IT

Why quality still counts

Lucia van der Post on what makes the 90s house special

IN THE field of interior design things have been stirring. As we move deeper into the 1990s all those totems of the eighties-style interior, the chintz, the flounces, the bibelots, the general air of *buzz*, are now seriously *demode*. Nineties houses are airier, fresher, simpler. Quality, not quantity, is what really counts.

All this, of course, is hard on those who managed to scrape together enough to pay for the last lot of chintz just in time to learn that it was *hoy-ho* - out of favour. The good news, though, is that the currently fashionable interior, with its emphasis on simpler, fewer things of genuine quality, is

not only likely to give more lasting aesthetic pleasure but also to be, in the end, cheaper on the pocket.

Do not, though, mistake simplicity for conformity. Simplicity, in decorland, has various moods. In its most urban, most sophisticated and most extreme form it leads to the bleakness of the minimalist interior, almost impossible bereft of the sort of visual comforts that most of us have become accustomed to. No room there for the funny little vase your child made at pottery classes, the strange glass tree the lady-what-does produced at Christmas or the slightly haff ornaments that your in-laws are so fond of giving you.

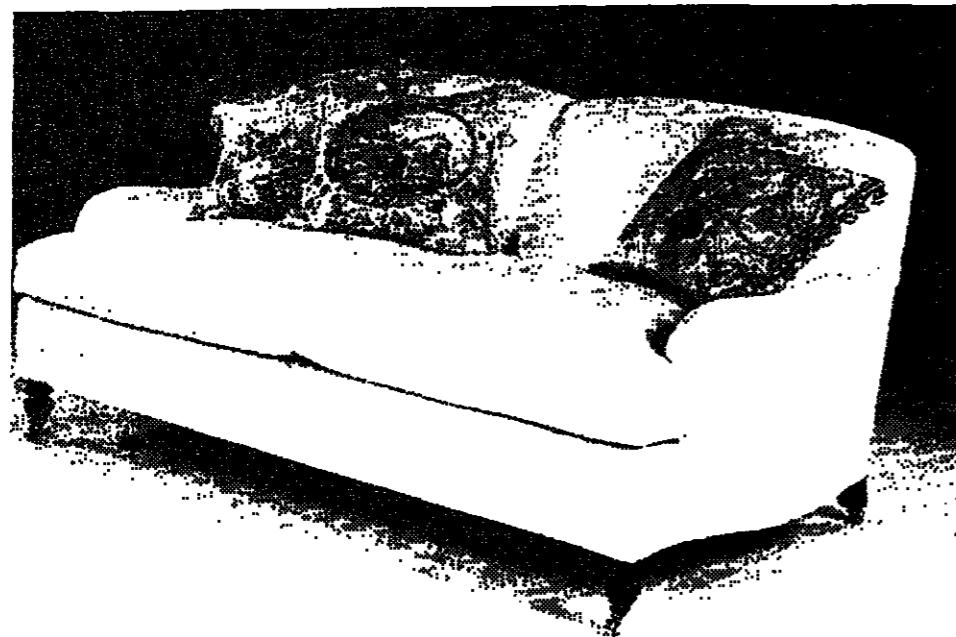
Simplicity also means ethnic - not the old rough and ready ethnic of the macramé plant-holders and the crudely woven baskets, but the sort of sophisticated ethnic exemplified by Global Village's products and about which I wrote last October. Tables from Rajasthan, forged iron and antiqued rattan chairs from Asia, painted furniture from New Mexico.

Nearer home simple also comes in classical mood, all calm and light, softened by flowing fabrics and natural or gently painted woods. New England-style, too, with its dislike of ostentation, its emphasis on fresh cottons and solid wood, on wrought-iron and folk-

art is right in tune with the current mood.

Most sensitive designers have already responded to the new feeling in the domestic interior - Tricia Guild of Designers' Guild, for instance, has just brought out a collection of sofas, chairs and ottomans which she shows almost entirely upholstered in plain stripes and ginghams. From a designer who originally made her name with a collection of some of the most ravishingly pretty florals ever seen outside a garden this speaks volumes.

Photographed here below are just some of the ingredients that go to make up the new 1990s-style interior.



Sofa so good

WHEREAS five years ago sofa came plumply stuffed and covered in flora of every shape and hue these days they come classically proportioned and covered in creamy canvas or one of the crisp cotton ginghams reminiscent of New England interior. To coincide with Chelsea Design Week, Designers' Guild has launched a collection of sofas, ottomans and chairs in fabrics from Tricia Guild's latest collection of stripes and checked, hand-dyed Indian cottons, which she calls Orissa.

There are some 35 different designs and an example of each is on show at the Designers' Guild showroom at 271 and 277 King's Road, London SW3.

To go with the sofas is a

selection of different stools, ottomans and boxes. Those photographed (right) illustrate the mood of the collection. The two-seater Canapé sofa, for instance, ranges from £1,280 to £1,540, depending on the fabric chosen, while the Montgomery chair in the background ranges from £685 to £770. The Brompton long stool starts at £335 and goes on up to £385.

Photographed left is Kingcome Sofas' version of the classical 19th century shape, the Howard. Kingcome have chosen to cover it in a creamy viscose material by Manuela Canavas.

At 6 ft long, 42 in deep, 35 in high the Howard will need 15.5 metres of plain fabric to cover it and it sells for £1,580 (plus vat). See it at Kingcome Sofas showroom at 302-304 Fulham Road, London SW10.



Curves of iron

IN THE currently fashionable interior, wrought-iron is usually much in evidence. There is something about its malleability, its paradoxical combination of visual spareness and brute strength which seems to appeal to a new generation of designers. It lends itself to the curving lines the Gothic and classically-inspired pieces require.

Once almost solely confined to garden and conservatory these days it is marching into the most modish of interiors. From dining-chairs made from wrought-iron combined with rattan - for Global Village - to the sophisticated designs of Andre Dubrule, wrought-iron is currently undergoing a surge of popularity.

Suzanne Ruggles has been studying wrought-iron's potential and developing ideas with a group of 10 different blacksmiths all over the country. The results can be seen and bought in her shop at 90 Fulham Road, London SW3.

From her first range - a Gothic-inspired collection which included a two-seater sofa, a coffee table, side table, armchair and stool, she moved on to other motifs, including a wheat-sheaf settle.

an oakleaf side table and armchair and to her latest range, the neo-classical designs photographed here, right.

Many of her pieces feature the now fashionable motifs of tyres, tasseled ropes, cabriole legs and twisted stems.

The sofa sells for £950, while the armchair is £450 (both include the base cushion). The coffee table is £450 and the plant-stand £190. The tall candlesticks (£95) and the sconces (£55) are just two examples from a large collection of candlestands and candelabra, many with a distinctly ecclesiastical air and many inspired by medieval designs. There is a particularly fine plain curving chandelier (£224) while candlestands come in many sizes and designs.

Standing on the plant-stand is a vase made from hand-blown iridescent glass combined with metal which sells for £185, just one of the many hand-crafted pieces commissioned from other designers by Suzanne Ruggles.

Look out for the strange floral sculptures by Kristine Cad as well as work by Isabel Tennent and Caroline Le Cras who have been using traditional techniques such as gilding, verre églomisé, lacquering and painted finishes to produce a stunning series of frames and mirrors.



Design tour de force

ANYONE interested in furnishing options might like to know about Chelsea Design Week, which runs from tomorrow until Friday.

Some 20 companies in the interior design industry (all London-based and including Designers' Guild, Nobilis-Fortan, John Cullen Lighting, Liberty, Colefax & Fowler) keep open house to visitors every day from 10 am to 5 pm (until 7.30 pm on Wednesday).

You can start your tour by signing up at any of the participating showrooms (tel: 071-233-5971 for details) and from then on a fleet of cars will whisk you from one port of call to another.

■ Harvey Nichols of Knightsbridge, London SW1 is bidding

to become more than just a source of designer labels for ladies who lunch. It is now a serious contender in the home furnishing stakes.

This week it launched several more interior-design concessions on its fourth floor. Last year I reported on the arrival of the Ralph Lauren home collection and the launch of the Mulberry At Home range - now there are 10 more concessions which greatly extend the choice on offer.

Global Village is there with its brand of sophisticated ethnic furniture and artefacts. Belinda Coote's tapestries and hand-painted furniture bests Kenneth Turner's floral decorations. There are Persian carpets and kelims in the oriental carpet department,

fine linens and layettes at The Monogrammed Linen shop, china and glass at Thomas Goode, decorative items for home and garden from Un Jardin... *en plus*.

Wilson & Gough have a marvellous selection of one-off hand-crafted pieces for the home while Bougies la Francaise has candles, canaries... and more candles. Finally, there is Smythson, of Bond Street, for everything from diaries to invitation cards and headed writing paper.

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Spare rugs

PLUSH CARPETS and highly decorative floral motifs are not what the new pared-down 1990s interior requires - honeyed wood or flat-weave kelims, plain creamy woolen rugs or eco-sound seagrass matting is more the thing.

For a newer alternative it is also worth looking at a range of flat-woven pure wool floor coverings by Roger Oates Design Associates.

Launched just two years ago the collection has taken off in a big way in America and France where designers like Jacques Grange seized on it for its air of understated quality and its slightly spare aesthetic look.

If you like Shaker-style, then this is the floor-covering for you.

The floor-covering is woven like very heavy cloth fabric and comes in a range of two-tone herringbone weaves (which are most suitable for those who want a very plain, uniform look) or a series of strongly coloured stripes.

The flooring is ideally suited for runners or for being made into rugs or large carpets and it can also be used wall-to-wall.

Many customers think the striped versions are ideal for stairs but Roger Oates is keen to point out that, although

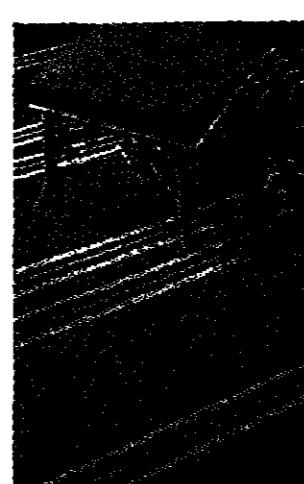
visually they may look the perfect partnership, they are not hard wearing enough for the stairs.

For a plain effect look out for Venetian Hancock (it comes in lots of colour combinations including two greens, a navy and two reds but I like best in the shades of biscuit) or the small random-textured stripe of Jasper or Lewis.

The strong stripes are Albany, Vernon, Hampton (photographed here) and Charleston. Prices are about £60 a linear metre.

For a full-colour brochure, swatches and details of local stockists write (enclosing £1.50) to Roger Oates Design Associates, Church Lane, Ledbury, Herefordshire HR8 1DW. (Tel: 0531-2718).

In London the range can be seen and bought at Sinclair



looking at the collection of limited edition - just 15 of each design - rugs commissioned by The Contemporary Textile Gallery at Vigo Galleries, 6 a Vigo Street, London W1X 1AH.

Many of our most distinguished textile designers, such as Sian Tucker and Helen Yardley, have produced rugs for the gallery.

Many designs are very strong and a room would need to be planned around them but some, like Suzie Pilgrim's pale Victor Pasmore-like abstract in cream, black and mustard could fit into many an existing modern interior.

Prices range from £385 for the smallest rugs, while £650 is the average price for rugs of 6 ft by 4 ft.

The most expensive are just over £1,000. The gallery always holds a constantly changing selection - as one design sells out, more arrive.

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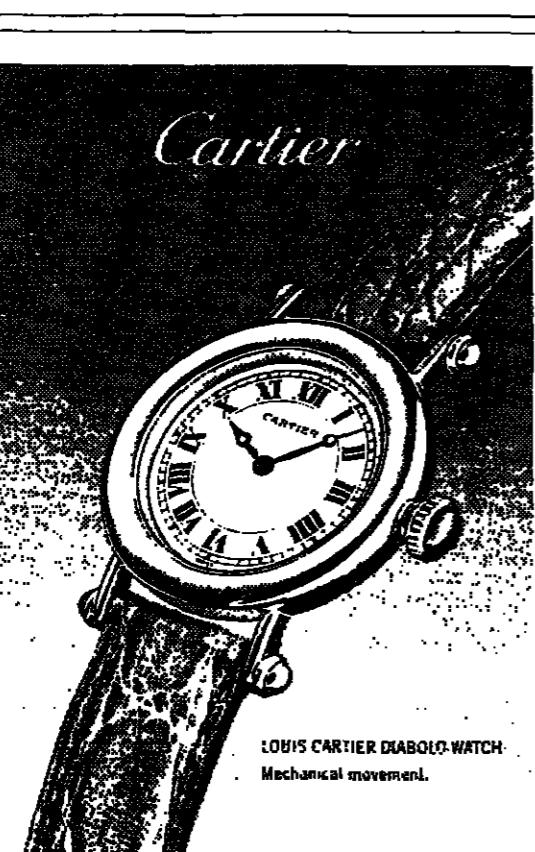
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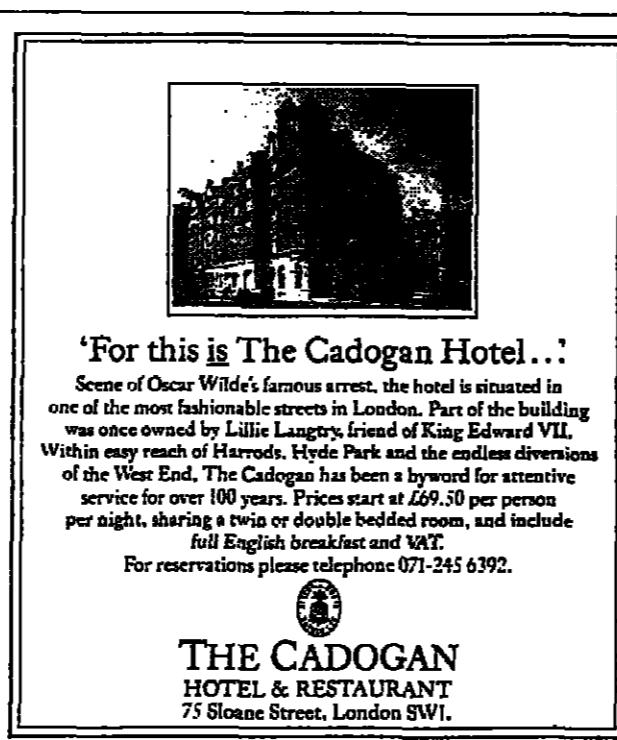
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Street Food

Small eats: China's delicious treats

Ken Hom samples the delights of Dim Sum and market stalls, and eats better in the alleys of Beijing than in the tourist restaurants

ON MY travels in China, some of my favourite "commercial" foods (that is, not prepared at home) have been those served in snack shops, street food stalls, and roadside food carts.

Many Chinese I spoke with seemed to agree that the most satisfying foods outside their homes were found in places offering *xiao chi* – that is, "small eats" or snacks. The streets and alleys of China's cities and villages are filled with mouth-watering aromas drifting from the many food vendors who line the streets and roadside. Many of the markets are filled with these vendors. Some shoppers eat their snacks while shopping, or simply buy them to supplement their meals, perhaps to keep the children quiet while a meal is being prepared.

Throughout China, soup noodles,恐怕 but satisfying, constitute one of the most popular snacks. These are easy for the food vendor to prepare and there is never a lack of customers.

But there are many other popular snack dishes. One of the most cherished "small eats" throughout China is *ziizi* dumplings, those wonderful boiled, fried or less often – steamed pastries filled with meats, vegetables, garlic, scallions; each with regional touches and variations. I have eaten more of these dumplings – really a well-balanced light meal – than I care to count, and enjoyed them all. In a market in Hangzhou I have eaten thick noodles in rich soup; light, saffron rice noodle pastries in a street stall in Guangzhou; spicy noodles from a tiny food cart in Chengdu; all quickly and simply prepared, and delicious.

Cooking techniques range from stir-frying to steaming. Variations also exist in what I thought were purely southern-style Chinese foods. For example, I enjoyed a rice porridge with fresh corn, with a topping of chili sauce, at several market villages in Sichuan.

Wontons, dumplings wrapped in a thin noodle wrapping, are found in numerous regional forms. I have even had blanched noodles with wontons stuffed with minced pork in a hearty broth; and the famous "congee" rice porridge – so popular in southern China – on many street corners of China.



Ken Hom, the US-born chef, revisited China to taste the foods of his ancestors

Perhaps this habitual and sustaining snacking started because for so many centuries officials and workers in the cities kept such long hours that restaurants stayed open and vendors hawked their goods until late at night, even until dawn.

Much of China's legacy of street foods and vendors remained intact until the People's Republic of China was established in 1949, when it was decreed that such private entrepreneurial initiatives were too "bourgeois." Individualistic (running against the collective efforts of the time) or otherwise retrograde to be allowed to continue. Food stalls, vendors, hawkers and their employers were forced to other occupations or forced to migrate. The recent policy reforms of the last decade have allowed and even encouraged the re-emergence of these venerable institutions; already, many have recovered their previous levels of culinary skill and service, as I was lucky enough to experience.

In Western China, walking around the

so-called "night markets," where delicious smoked pork treats are sold, open until the wee hours of the morning to serve night workers and hungry people in general, I could see that almost every identifiable part of the pig was available.

Wine shops sold bowls of what is called "white wine" – a strong potion, actually more like a vodka, brewed from a type of millet. I watched with fascination as the local people strolled into the shops for a quick drink, while others entered with jars and bottles to have these filled for home consumption. It was evident that everyone appreciated the convenience of these night markets.

In Beijing, long famous for its "small eats," night markets and street stalls have sprouted like mushrooms since the government has allowed them back in business. I was struck by the carnival atmosphere of the street scenes, crowded with people sampling the assortments of local and regional favourites on offer to them.

It is said (and I concur) that one may eat better at the sidewalk food stalls in Beijing than at most of the fancy restaurants which tourists are shunned.

Freshly-made pulled noodles are boiled and served, as are homemade *ziizi* dumplings, Beijing sausage, Sichuan cold noodles, Tianjin turnovers, Lanzhou noodles, Wenzhou fishball soup and Ximingshui mutong barbecues. I sampled all of these at the Wangfujing street market in Beijing.

Far away from Beijing, in Chengdu, Sichuan, a different sort of "small eats" are consumed. A local Sichuanese friend took me to a place which specialises in typical Sichuan snacks such as Dan Dan Mian – spicy noodles tossed with chili and minced pork – which I consumed in two minutes amid the street traffic. "pearl balls" – a sweet glutinous rice pastry; and the famous Chengdu Buns – dumplings known in the West as wontons, but tossed here in a marvellously spicy sauce with a good sprinkling of roasted ground Sichuan peppercorns.

I also sampled a light egg crepe filled with meats, and steamed pork dumplings – all of these in the most appropriately named snack restaurant, *Lao Chao Shou* ("The Dragon's Eating Place"), home of fiery and assertive snacks.

The best and most famous of snacks hall



Chinese street life: every type of regional food is available from the vendors who line the alleys and markets

from the south of China, in the Guangzhou (Canton) region. This is the home of dim sum (meaning "heart's delight" or "to touch the heart"). It has been carried round the world by Cantonese emigrants.

Guangzhou is also the home of the tea house, the ultimate in "small eating," specialising in snacks only – and in tea. The balmy subtropical climate of the region, with its long summer days and calm nights, creates an atmosphere of sociability in a situation of relative abundance; the Cantonese, with reason, believe that their cuisine is the best in China. They make the most of it as often as they can, and these snacks are always busy.

Dim sum snacks are available from early morning until the late afternoon, with the busiest times in mid-morning and mid-afternoon.

Substantial breakfasts of fancy rice porridge with peanuts, meat, fish and soups are served in this region. Noodle soups are to be had here, as elsewhere in China. But in this part of China meat is

almost always included along with noodles, and dumplings in soups are common. The portions are as large as the equivalent of a light meal.

Foreign foods, especially Western-style baked breads, rolls, and pastries, have been added to the selections. In the Canton region, these so-called snacks are really more than that: they comprise a very substantial late breakfast or heavy lunch. Elsewhere in China, however, dim sum remains "small eats."

The number and variety of the Cantonese regional snacks defy description. In one tea house, more than 2,000 dim sum dishes are offered on a rotation basis. Such exquisite savoury dishes include steamed dumplings with minced pork and prawns; chicken soup with dumplings; steamed rice flour filled with assorted meats; deep-fried beancurd filled with pork and shrimp; steamed minced meat balls; and sliced beef liver with steamed shrimp dumpling.

The equally impressive menu of sweet dishes includes such items as crisp and sticky sweet cake topped with almonds, bean-filled balls in sweet syrup, custard tarts, and sweet red bean paste soup. In northern China these types of snacks are known as *dian xia*, the name referring more to sweet dessert snacks than to the savoury ones in the south; a mandarin form of dim sum.

For much of China's culinary history, snacks and street foods have played a key role in Chinese social life. These places are perhaps akin to cafés and bars in the western world.

During the Cultural Revolution there were justified fears that this feature of Chinese life would be wiped out. But more prosperous times, combined with economic reforms, have restored some part of China's food culture.

And today, street food stalls and their unique brand of snacks continue their contribution to Chinese social life.

Fish for Lent

Luxurious penance

NOW THAT the British are eating less red meat, surely fish should fill the gap?

This is a good time to test that theory, for Lent is the traditional season to forego meat.

I would not, however, risk serving a dish that is aggressively fishy to guests whose tastes I do not know. First, tall, scaly skin, gills, gaping mouth and lugubrious eyes gazing up from the plate can cause nervous diners to panic, and the presence of bones might make them choke.

Bowdlerised versions – fish dishes using fillets, purées and flakes – are better for winning converts to the pleasures of fish; witness the general popularity of fish pie, fish cakes and kedgeree. The only trouble with this trio is that it's their associations with the nursery are strong. For a dinner party, you might prefer recipes with a little more panache. The two that follow are simple, but luxurious enough to guarantee no hint of Lenten penance.

SCALLOP QUENNELLES

(serves 8)

Freshlight and creamy, these are the lowest of all dumplings. Sauce Nantua is the classic accompaniment, and it works well using prawns if you cannot get hold of freshwater crayfish. Bearnaise sauce and *beurre blanc* are quicker to

make and also excellent, particularly if a handful of shrimps is added just before serving.

Take care to measure quenelle ingredients carefully: the ratio of seafood to cream and egg white is crucial. Quenelles, traditionally, are served fresh from poaching, which is best, but cooks who like to avoid last-minute work at the stove will be heartened to hear that they can be cooked ahead and re-heated gently.

Ingredients: 1lb fresh scallops (this is the net weight needed after trimming away black intestinal threads and hard white muscles); 4 fl. oz. double cream; 4 egg whites; sprigs of fresh herbs (parsley, coriander, chervil, tarragon or dill) to garnish for serving.

Method: Wash the scallops and dry well. Whizz them in a food processor with the cream to make a very smooth purée. Scrape the mixture into a shallow dish and season generously with salt and pepper. Using a fork, blend in the raw, unwhisked egg whites carefully, a little at a time. Then chill the mixture, uncovered for a few hours.

Choose a sauté pan or other pan with a large surface area (great depth is unnecessary). Fill it with water, salt it and bring to a bare simmer. The liquid should barely tremble or

the quenelles may disintegrate as they cook.

Using a pair of dessert-spoons, scoop and mould the quenelle mixture lightly into plum, meringue-shaped ovals; about two dozen in all. Drop them into the pan in batches, spacing them well apart, and poach gently. They will take five-six minutes and should be flipped over with a perforated spoon at half-time.

Philippa Davenport offers recipes to convert faint hearts to fish

Drain the quenelles on kitchen paper and lay them in a single layer in a shallow but sturdy dish. Keep warm while cooking the rest. Then sauce with little bouquets of herbs and serve quickly.

Alternatively, if preparing ahead, let the quenelles cool in the buttered dish. When cold, cover them with a dome of foil and refrigerate until needed – but remember to bring them back to room temperature before re-heating.

To reheat: bake (still covered with foil) at 375°F/190°C (gas mark 5) for 12-15 minutes – but no longer or the quenelles

will lose their creamy lightness. Sauce, garnish and serve.

THAI MANGO SALAD WITH SALMON

(serves 6)

This comes from Sri Owen's *Exotic Feasts* (Kyle Cathie, £16.99), a charming and user-friendly book of east-meets-west cuisine.

Ingredients: For the mango salad: 2 medium-sized mangoes, peeled and cut into julienne strips; ½ teaspoon salt; 1 tablespoon lime or lemon juice; some mixed varieties of lettuce leaves; 12-14 coriander or mint leaves.

For the fish: 5 salmon fillets weighing 3-4 oz each; 2 tablespoons peanut or olive oil; 1 onion, sliced finely; 2 garlic cloves, crushed; 1 large red chilli, seeded and chopped finely; 2-inch piece of lemon grass, outer leaves discarded, chopped finely; 2-inch piece of fresh ginger, peeled and chopped finely; 2-3 kaffir lime leaves, shredded finely (optional); 2 tablespoons fish sauce (nam pla) or light soy sauce; 2 tablespoons white wine vinegar.

Method: Put the mango slices in a bowl and sprinkle with salt and lime or lemon juice. Use the mixed lettuce and coriander or mint leaves to

and sliced ingredients, stirring all the time, for two minutes. Add the fish sauce (or soy), vinegar and 4 fl. oz hot water and simmer for another two minutes. Then add the fish to the pan and let everything simmer for three to four minutes, turning over the fish pieces once. Remove from the heat and leave to cool.

When the fish is cool, arrange the mango strips on top of the salad leaves and lay the fish on top of the mango. Then pour the cooking juices over the salad. Chill, but take the dish out of the fridge about 10 minutes before serving.

soles; a Greek sea bass; a multi-coloured parrot fish; one of the season's first wild salmon and a pike.

It was interesting to try some of these simply cooked, unassisted by sauce or seasoning: the dry straw-textured parrot fish tasted against a delicate, milky sea-bass; a subtle flavoured red sea bream tasted in contrast with the bony pike. Served *à la meunière*, a pike's muddy river fish taste was less easy to detect.

The British are still extraordinarily conservative about fish. Scotts had tried out very many French classic fish dishes without success; the sea-bass platter did not sell; no one had ordered haddock; the omelette Armand Bennett had been about as easy to sell as a plate of fresh herrings – that is to say, impossible.

Nicky took me next door to the kitchens, where a selection of that morning's purchases had been laid out.

Here were little red gurnards and big red sea-bream ("the Rolls Royce of fishes," according to Nicky). Here lay the hideous monkfish – looking at it, you can see why the Germans call it "the devil's fish." Here were sea-bream, bream and Dover sole; sea-bass; lemon and Dover

Restaurant view/Nicholas Lander

Menus for creditors

WHEN IN THE middle of the recession, are so many new restaurants opening their doors?

What do such varied names as Christopher's, Snows on the Green, Les Saveurs, The Red River Café, Pied à Terre and L'Accente have in common?

On the surface very little – except that they are all restaurants which have opened recently in London (along with a number of others) in what is considered to be the worst recession for many years.

Is this because restaurants defy the laws of economics and survive in spite of monthly drops in consumer confidence and spending? Sadly not. Most restaurateurs, even those in the first flush of enthusiasm, quietly admit that business could be much better.

But when these restaurants were planned business was a lot better. Even the smallest restaurants require a great deal of time to materialise, and in the 1980s raising the finance for a new restaurant was the easiest part of the package. Finding the site, getting provisional approval for the licence, tendering for builders and waiting for them to finish and the Environmental Health Officer to give approval can take 18 months and breach the overall draft limit.

As soon as you approach this limit, opening day becomes even more urgent. Because it is the most immediate answer to a new restaurant's cash problems it is often not the restaurateur who decides when to open, but the bank or other investors. This year, the high interest rates of the past 18 months will have forced many to open in the traditionally quiet first quarter rather than wait until spring.

Although these businesses are all restaurants they hide a wide variety of ambitions and financial backers. Snows on the Green is the first restaurant of a husband and wife team; Christopher's is a personal mission undertaken by its proprietor, Christopher Gilmour, and a few friends, to bring good US food to London. L'Accente is the type of good, very reasonably priced Italian trattoria every neighbourhood should have. Les Saveurs, the most lavish expression of French haute cuisine London has seen in a long time – but one that has been entirely funded by a Japanese millionaire. The Red River Café and Pied à Terre have risen on the sites of former, failed restaurants, of which there have been many in the last year.

The restaurants which are opening at the moment are, however, the last expression of the relatively easy borrowing requirements of the late 1980s.

London – the rebirth of Quaglini's, and a new restaurant at the top of Harvey Nichols – but they will be the creation of either wealthy individuals or big corporations.

Restaurants used to be a relatively low-cost world to enter, particularly for a husband and wife. Rising rents and rates have increased the break-even point: customers' raised expectations have increased the capital required. Now, falling returns have frightened off potential investors, and for the moment the glamour has gone. Those who enjoy the thrill of a new restaurant should make the most of those which have opened so far this year.

Weighed in the scales

bass and turbot – trendy fish,

with soot appeal. Americans, apparently, are not prepared to eat fish with the heads left on after cooking; the idea of being watched by the creature they are consuming is too intimidating.

This reminded me that I had cooked a John Dory only a few days before, and that I had

been much amused by the doleful way in which the fish had seemed to watch me as I wolfed the flesh from its back.

When I had finished my meal, only the lugubrious eye remained in place.

There is considerable snobbery directed against the cheaper range of fish – those monsters of the deep which French housewives seem to be able to transform into delicious meals at a moment's notice.

"Easy bones" form part of the attraction of halibut, sea

and whiting not much better.

Hake, which went through a period of trendiness in Paris a decade ago, was also viewed with apparent contempt. The only fish which had come, as it were, up-market, seemed to be cod. Only a generation ago cod was perceived as a "below stairs" fish.

The British are still extraordinarily conservative about fish. Scotts had tried out very many French classic fish dishes without success; the sea-bass platter did not sell; no one had ordered haddock; the omelette Armand Bennett had been about as easy to sell as a plate of fresh herrings – that is to say, impossible.

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LE CREUSET

MOTORING AND SPORT

Motoring/Stuart Marshall

Smart, sporty and it's an estate

SMART and luxurious estates have become an attractive alternative to executive saloons. None comes smarter than the BMW 5-Series Touring, which arrives in Britain next week.

BMW still cannot quite bring itself to call the Touring an estate car lest it detract from the marque's sporting image, but that is exactly what it is.

The tailgate lifts to reveal a carpeted space that takes a couple of golf bags and trolleys with the rear seat in use, and something as awkward as a large rotary mower with the seat down.

As the sill is wide, low and - unlike the 3-Series Touring - unobstructed by rear light clusters, numping such things on board is not difficult. Four retractable tie-down points come in handy when carrying things likely to move around on their own.

It is not even necessary to raise the tailgate to get at the load space. If you

only want to drop in, say, some shopping, the rear window hinges up on its own. Naturally, a sliding blind conceals from thieves what is put in the load compartment. Removing the complete blind and roller, or lowering the rear seat backs complete with headrests, is a one-handed job using touch buttons.

In every way it is an urbane and civilised car. Unless you turn round and take a look, you would not realise it was an estate, not a saloon. It feels rock-solid on rough roads. Regardless of engine speed, there is no body boom.

At present, two engines are offered: 2.0-litre or 2.5-litre, 24-valve straight sixes with power outputs of 150 and 180 horses respectively. Their engines, introduced for BMW saloons 18 months ago, should return at least 28 mpg (10.1 l/100km) in normal use and give a gentle driver more than 30 mpg (9.4 l/100km) on a journey.

They are said to cut servicing costs by

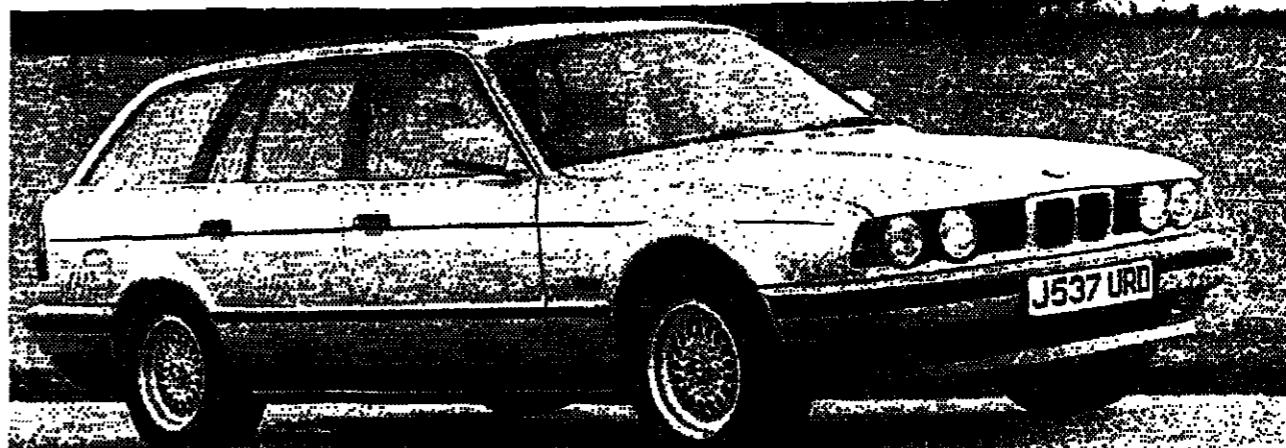
nearly a quarter compared with the old 12-valve units. Within a year, there will be 2.5-litre turbo-diesel option.

A five-speed manual gearbox is standard with automatic transmission (also five-speed) a desirable (if costly) £1,150 optional extra. BMW claims the two-pedal cars have much the same consumption as those with manual gears.

The 520i Touring I am now driving is what you would expect a BMW to be. The engine pulls silkily in high gear at low revolutions, and hums sweetly at 5,000 rpm-plus in the gears.

As the Touring is significantly heavier than the saloon, standing-start acceleration is a smidgeon rather than kick-in-the-back. The 2.5-litre version is, of course, more urgent. But providing you are willing to drop down into fourth or fifth when necessary, the 2.0-litre car is a vigorous and refined performer on a cross-country journey.

Every 5-Series Touring comes with ABS



The 5-Series Touring is BMW's first proper estate car combining saloon refinement with load capacity

brakes, power steering, central locking (with deadlocks on all doors), electric windows and door mirrors, and a two-section sun roof.

Buyers of the priciest 520i and 525i SE (for special equipment) models can delete

the sun roof and, for only £350 extra, have

air-conditioning instead. This sensible

option is not available on the cheaper

520i.

BMW GB reckons it will sell about 2,600

of the 5-Series Touring estates this year at

prices ranging from £20,950 for a manual

520i to £23,100 for a 525i SE automatic. Four-wheel drive versions - the first BMW has made with right-hand steering - join the range in June.

They will have 2.5-litre engines and prices are expected to be in the £23,000 to £26,000 brackets.

What will the 5-Series Touring be up against? Not just the market-leading Volvos and the Audi 100, Citroën XM and Mercedes 300-300 estates you might expect but also large hatchbacks (Granada/Scorpio, Rover 800 Vitess and the new Ren-

ault Safrane, for example). It will compete on price rather than sheer carrying capacity; as a bulk carrier, a 5-Series Touring is no match for the really big estates.

BMW GB also sees the Touring seducing some owners out of their Range Rover, Shogun, Land Cruiser and Trooper recreational four-wheel drives. With its up-market looks, a BMW 5-Series Touring has Smith's Lawn and Badminton written all over it. And, with all-wheel drive, it would not need towing out of a muddy car park, either.

the \$10m that it costs to stage the event. All of them are excited about the latest expansion plans which include a state-of-the-art stadium, seating 14,000 and costing \$20.5m, which will be completed for next year's event, having overcome the inevitable local objections.

"It is being financed by Dade County," said Buchholz. "We will pay a minimum of \$500,000 (a year) against 10 per cent of the gross over the next 30 years and I shall be surprised if we do not pay it back twice over."

The really exciting thing is that in the first two days of opening the sales office we had sold over \$1m of box sets."

The USTA has designated the site a Player Development Centre. Buchholz has added eight clay courts and will soon start to prepare the three grass courts that will sit comfortably alongside the 17 hard courts that the tournament needs. Like the people of Miami, the USTA knows it is backing a winner.

The miss cost Atlético a win.

With less than 20 minutes left, Barcelona managed their first serious shot on goal. Nadal, whose clumsy play suggested the Spaniard do have a soft spot for donkeys, enjoyed a moment of grace, turning and cracking a shot back twice over.

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Tennis/John Barrett

Butch courts Miami and wins again

"They drove me over the Rickenbacker Causeway towards Key Biscayne and as we swooped down off the bridge towards the island with its private atmosphere and semi-tropical vegetation I knew it was right. It had the special ambience that made it different. But when we arrived at the proposed site I could understand their reservations. It was a huge rubbish dump, old cars and refrigerators among the garbage, and we had to hold our noses as we looked it over."

The aroma that assails you today as you stroll through the avenue of maturing royal palms and orchid trees, bordered by flower beds bursting with gorgeous blooms of impatiens, bougainvillea and

hibiscus, is different. Wherever you turn in this tastefully tented site that caters to every gastronomic whim and purchasing impulse, there is the smell of success.

Not that the move to Miami and the full commitment of Dade County to further development ended the problems. Far from it, as Buchholz remembers. "In 1988 the ATP announced their breakaway from the Pro Council and, despite our long-term contract, they said I would have to reduce the tournament to 10 days and bid for the time slot like everyone else. That made Lipton nervous. They had invested in a two-week event and told me that our 31-year agreement was at risk if we made the change."

The problems were solved and the tournament is now a 10-day event.

It is a family business run by a strong team in which Butch's brother Cliff is the tournament director. His 22-year-old son Trey is the operations manager with an annual budget of \$2m. The event has become a fixture in the tennis calendar and a popular venue for

amazingly, 46 per cent of our spectators come from outside the three counties of Dade, Palm Beach and Broward. Many come up from South America, combining their holiday and shopping expedition with a visit to the tournament."

Some 25 sponsors invest between \$80,000 and \$3m each year towards

Rugby Union

Scenes from a season

CAMEOS from the Five Nations' championship of the 1991/92 season, which ends this afternoon.

Dublin, January 18. Wales surprisingly defeat Ireland, the World Cup quarter-finalists. The one-point margin - 16-15 - is flattering to the Irish. Welshmen are overjoyed and some former internationals, men who ought to know better, are heard to remark: "the Grand Slam next."

The foyer of the Berkeley Court hotel five minutes' walk from Lansdowne Road is crowded after the match. A Dublin student attending her first rugby international is anxious to obtain the autograph of Ieuan Evans, the Welsh captain. "How do you pronounce his Christian name?" she asks. "The first syllable is 'yi' as in 'yipes' she is told. "Then you add the sound 'an' as in 'and'."

Ten minutes later she returns, her cheeks flushed with pleasure. "I met Ieuan," she says, pronouncing the name almost perfectly. "What a character. A complete gentleman."

The Irish players come down from their rooms and mingle graciously with their own supporters and the few Welshmen who have gained entry to the hotel of the Irish team. The Welsh are magnanimous in victory but the Irish, in case anyone is in any doubt, are magnificient in defeat.

After the post-match dinner Alan Davies, the coach of the Welsh team, is wandering happily around the foyer of the hotel savouring his first triumph in the championship. A reporter congratulates him on victory and remarks that he was lucky Tony Copsey, one of Wales' second-row forwards, had not been sent off. Copsey was twice warned by the referee. Davies smiles enigmatically.

Cardiff, February 1. The first home game in the championship for Wales is marked by an outpouring of Welsh clichés.

The Cwmbran male voice choir brings some *hugy* to the pre-match singing and song sheets are distributed throughout the stadium. Players and officials from both teams are presented to the Princess of Wales.

Twickenham, March 8. A dampness in the air does little to dampen the occasion and drinks, jokes and laughter mix well in the west car park before the game. England are strong favourites to beat Wales and win a second grand slam in a row, the first time this has been done since the 1920s.

As Will Carling makes yet another magnificent burst past Neil Jenkins he reminds us that as an attacking full back he would be dynamite. The trouble is he is dynamite as a centre.

England's performance is their worst of the season but for Wales there is a word of praise from one of the gods. "There is fight back in this side," observes Gareth Edwards, the great scrum half.

"That is backbone that was not there six months ago."

Cardiff, March 21. Davies's period of office ends after the game between Wales and Scotland this afternoon. He wants to remain as coach until after the World Cup in 1995 and cool heads support him. Hot heads want more success, however. Davies, they point out, has been one of the country's least successful coaches, having lost five and won two matches since he took over last summer.

They are forgetting how bad Wales once were and how far the WRU have had to go to reach the level of competence of the RFU. Who will win in the struggle in Welsh rugby, the scrumheads or Cavaliers, the cool heads or hot heads? We must wait until April 2 when the general committee of the WRU meets to find out.

THE ONLY certainty for a soccer manager, it is often said, is that he will be fired sooner or later. In Spain, it is nearly always sooner. Last Saturday's increasingly entertaining match between Barcelona and Atlético Madrid, second and third in the Spanish championship, gave some idea why.

Both teams are closing in on Real Madrid who have faltered away an eight point lead they built up early in the season under Ruddy Antic. Antic was appointed manager last April when the club lay an eighth in the league. Even leading them to the top of the table brought Antic no job security. After two consecutive league defeats he was fired, on the grounds that his team was not providing the "spectacle" Real fans required.

The pressure to succeed takes its toll even on those who keep their jobs. The coaching career of Luis Aragones has been beset by psychological problems. He once locked himself in a hotel room for three days and in his brief reign at Barcelona he took his bed for two days.

Even so, last summer he took a job offer from Atlético's Jesus Gil y Gil, the most itchily-fingered of Spain's trigger-happy club presidents, a man who had fired managers 11 times in his four years in charge of the club. Before the season started the club flew in a psychiatrist from Texas who said Aragones was suffering from "public anxiety".

By comparison, Johan Cruyff, who succeeded Aragones at Barcelona, nearly four years ago enjoys such job security that his players had not listened to a word he had said. Perhaps their minds were on Wednesday's European Cup match against Dynamo Kiev which they won 3-0, they certainly were not on the game.

Barcelona fell repeatedly into Atlético swift ambushes: three or four players converging simultaneously on the ball-carrier. Barcelona failed to adjust to the pressure. Their passing collapsed and their ball control evaporated. Barcelona were, in the English parlance, playing too much football and even as it failed it was enjoyable to watch.

For anyone used to the highly-drilled defence of the English Football League the marking of both teams was lackadaisical. Throughout, Toni and Aguilera of Atlético were allowed time and space on the wings to put in dangerous crosses.

Schuster, a Barcelona old boy, dominated the game. He created Atlético's first goal with a chip through to Mandor. The week before, Zubizarreta, the Barcelona goalkeeper, had made the mistake which gave Real a precious draw. This time he hesitated and was lost and for the rest of the game was subject to merciless taunts from the home fans.

Mandor added a second ten minutes later and Atlético, with Schuster pulling the strings, threatened to run away with the game.

Where the Barcelona players never had a pass available, Schuster always seemed to have players open. Where the visitors dwelt on the ball,

Soccer/Peter Berlin

The Spanish spectacular



Bernd Schuster tormented Barcelona, his former team

Schuster clipped accurate passes with his first touch. When the route to an unmarked player was blocked, Schuster would make the simple pass that was available, adjust his position and make the telling pass when he got the ball back.

Schuster lacks the athleticism of Lothar Matthäus who currently controls the midfield for the German national team. But where Matthäus often seems loath to appear eye-

catching or spectacular, Schuster has the manner of the classic midfield general. The ego which has soured his relations with successive German managers is the characteristic which makes him such a dominating figure on the field.

Schuster's self-confidence betrayed at the key moment. He passed under pressure unerringly over 30m and 40m, yet unmarked on the penalty spot after 54 minutes he balanced on the ball over the bar.

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GARDENING/PERSPECTIVES



Plant of the Week

Helleborus orientalis

This is the hardy herbaceous plant which gardeners call Lenten Rose, though it has no connection with true roses. In its numerous varieties it can be in flower from January until May. In fact, Lenten Roses are hybrids between several species of hellebore, which have handsome, evergreen, broadly fingered leaves and cup-shaped flowers, in colour varying from white and cream to deep maroon, often delicately speckled or mottled within. However, they have a tendency to hang down so that one must tip the flowers up to appreciate the delicacy of their markings. Lenten Roses make dense clumps of rather tough roots, are best left undisturbed for years, and usually spread by self-sown seedlings, which are likely to vary in colour. They enjoy shady places but will grow right out in the open and are totally unfussy about soil.

DAFFINE brings images of fragrance and unreliability, yet neither is true entirely of the dozen or so species found commonly in gardens. In fact, it is extraordinary how much these vary in character: some evergreen, others deciduous, some scented very sweetly and a few not at all, or very slightly. And although most are beautiful, there are one or two that are distinctly dowdy.

Two daphnes grow wild in Britain. One of them, *D. mezereum*, is a favourite in gardens, especially with cottagers who seem to have the knack of growing it well. It is fairly rare in the wild but the other native, *D. laureola*, the spurge laurel, is common enough in woods on alkaline soils.

Although not exciting, *D. laureola* is worth a place in the wild garden for its ability to thrive in dry shade and the limeiest soils. It is a leafy evergreen that grows from 2ft to 4ft high with curling clusters of small, greenish-yellow flowers which sometimes are honey-scented and always appear very early in the year — from February to April. You can scarcely go wrong with this daphne.

You could say much the same of *D. meze-*

rum

um

PROPERTY

Old King Cole lived here . . .

David Hopkitt examines Essex, a county of wide contrasts behind its Flash Harry facade



Essex man's dream? Gills Farm: surrounded by rolling countryside full of deer — and yours for £550,000

A BLANK expression greeted our request for singles to Gawdulpus at London's Liverpool Street station ticket office. "Say again, guv," said the chirpy Cockney behind the glass.

The Cockney accent is alive and well, living largely in Essex: but the dialect and sense of humour seems to be waning. Years ago, a ticket-seller would have known instantly that we wanted to travel to Saffron Walden. Why Gawdulpus? It derives from the ancient market town's Latin motto "Deo adjuvante florimus" (which translates as "God help us to flourish" or, to be more precise, "With God's help we flourish".)

Saffron Walden is a place of streets and alleys (called "twitchells") bordered by handsome jettied houses. Along with other Essex country towns, plus the countless quaint and timeless villages, it is very different from most outsiders' perception of the county.

Many who have the misfortune to live south of the Thames look upon Essex as flat and uninteresting. Few have visited it and fewer still have walked, ridden or cycled over its rolling hills and valleys. True, Essex is short on mountains and coal mines and the front and back doors (Leyton and Purfleet) do not appear on many chocolate boxes; but, once over the threshold, there is Epping Forest, the 5,500-acre pleasure spot for Londoners.

Essex is a county of contrasts: dead cars and other junk in fields near Romford are testament to its proximity to the London sprawl. Further out among the villages, though, are some of the finest timber houses in the land, many exhibiting the best of the pargetter's art (decorative plasterwork done originally with a concoction that included cow dung, stable urine,

grit and horse hair, all mixed or trodden by a village maiden).

In the great Essex earthquake just over a century ago, it was these timber structures that withstood best the shaking opponents of timber-frame housing please note: King Cunobelin (Old King Cole) chose Colchester as his capital, the Romans built a city there, and the Normans built their largest castle here.

Essex man (and, more recently, Essex woman) has become the butt of many jokes as vicars and parrots, most are way off the mark. Flash Harry and Cheryl hardly

reached Essex proper. Real Essex man seldom moves away: theirs is a county of fishing, fishing huts, sudden villages with Morris dancing, and cricket greens, real pubs with real ale and even a few real ploughmen. It is a county with culture in plenitude plus a little candy floss at Southend, the Londoners' Blackpool.

Nature is not bountiful with rainfall in Essex (it has the lowest in the country) but there is enough to keep Constable's beloved River Stour flowing through the green fields of Dedham. The county is not

well-endowed with stately homes, either but it has at least 1,000 moated country houses more than any other. There are also more houses than elsewhere.

Before the property boom, many people with more money than taste discovered that Essex offered better value property-wise than any other home county. They moved with their families, their Merdeos, their *au pairs* and their pony ponies to the green paddocks of Ongar (and the like), and the jokes started. Now, the bubble has burst and they can't afford the mortgage; unemployment in Essex has risen sharply in

the past year. Result — repossession and garnishee galore (plus more than a few Dobbies for sale).

John Gibson, of Savills, says buyers have an unusually wide choice of fair houses in Essex but only the near-perfect are selling. Mediocre offerings have slumped in value by as much as 30 per cent. "Curiously," Gibson adds, "there are now cash buyers living in rented accommodation because they can't find the right house; this is because many owners of really good houses, old rectories and the like, decided not to sell in this market."

One of the most seasoned prop-

erty men in the county is Roy Chapman, former joint senior partner of Abbotts who now runs his own show in the village of West Bergholt. "I said last year things would improve out here and sure enough, the market is on the move, but only when people are realistic about prices. The reduction in interest rates, coupled with the incentive provided by the temporary removal of stamp duty, has at long last brought some confidence to the market. Young people, first-time buyers especially, are taking advantage of the situation. Those who have jobs now have the capacity to

buy, and sensible ones are getting in quick before the market recovers strongly, as it assuredly will."

Hambro Countrywide is another to have noticed change. It says there has been a significant increase in inquiries since the beginning of the year and the number of prospective buyers has trebled in recent weeks. House-builders, too, are showing signs of cautious optimism, especially those catering for the first-time buyer.

At Grays, Alfred McAlpine Homes is offering flats and houses at Anchor Point, a skip from the station, right on the waterfront and only a short drive from Dartford Tunnel. They are attracting a lot of interest. One-bedroom flats cost just below £50,000 while £59,000 buys a two-bedroom house with two balconies facing south over the water. Three-bedroom houses cost £70,000.

For something a little larger, Gals

has homes with three and four bedrooms beside the cricket green at Springfield, with prices starting at £144,250. Moody Homes also reports a stir in the market, especially for more spacious homes in a village setting; two, each with five bedrooms, have just been sold for around £200,000 in Ingatstone.

Moving further up-market, John D. Wood offers a price of £250,000 for the delightfully-named Cherry Garden, a Grade II-listed, 16th century house at Burnham-on-Crouch. There is also a field with consent for six detached houses, at £230,000.

For around £250,000 there is Gills Farm, in Epping Upland, which is described by Savills as being in the perfect location if you like being surrounded by rolling countryside with a healthy population of deer. There are more than five acres, a tennis court and swimming pool and plenty of outbuildings. Definitely something for the real Essex man.

was little interest until it was reduced, in the first week of January, to £180,000. It then received three offers.

Similarly, Hockleys recently sold

the Little House, Lower Street, Hornung, for £170,000. The property, which was once divided into two flats, has seven bedrooms, a soft

quay-headed mooring and covered boat dock. At the peak of the market, its value was close to £250,000.

Now that vendors have come to terms with the need for realistic pricing, they are in no mood for further messing about. "Soft" deals are much thinner on the water.

Melvyn Stone, manager of the Wroxham office of Woolwich Property Services, says: "There is still a idea that, in this market, any vaguely reasonable offer will be accepted, but the supply of distress sales has more or less run out. Most people who now want to sell will do so only at something fairly close to the asking terms."

The Norfolk Broads are spread down the eastern side of Norfolk, a series of lakes born partly of medieval peat diggings and some slow-connecting rivers. Long an area for waterborne holidays and recreation, effectively they became Britain's 11th national park in 1989, in planning and navigation terms, they are now administered by their own special statutory body, the Broads Authority.

Tourism, naturally, has made the villages — strung along the 125 miles of navigable waterway — the stuff of retirement dreams although few of those dreams come true. One local agent reckons that while 70 per cent of footfalls through his door are visitors thinking of moving into the area, less than 10 per cent of them actually make the effort to do so. Many of those then find the pace of life too slow after, say, Essex or Hertfordshire and, eventually, return whence they came.

Realism keeps the Broads in business

John Worrall finds that Norfolk prices have come down and distress sales are dropping fast

The trouble for them is that moving back is not so easy at present. Norfolk house prices have dropped by more than 30 per cent since their 1988 peak; probably the biggest price reversal in the UK. Indeed, houses are cheaper now than for many years, according to David Richardson, managing director of Hockleys of Norwich.

"With lower interest rates, the removal of stamp duty from most purchases and moderate increases in real incomes, housing costs in real terms are probably at less than half the level of three or four years ago," he says.

But the market seems to be grasping that fact. Richardson notes that

the number of sales achieved by Hockleys in Norfolk as a whole, in the 12 months to February 1992, was 77 per cent up on the previous 12 months.

Waterfront prices probably start as low as £25,000 for one-bedroom leasehold timber cabins beside the River Thurne at Potter Heigham, each with its own mooring and easy access to ice cream and fish and chips.

Two- or three-bedroomed properties of similar ilk might fetch up to £60,000 — particularly if they are of sufficient substance to pre-date the start of planning controls in 1948, thus escaping the restrictions on their annual periods of use. That is

the holiday and weekend market. Upwards from those prices, though, buyers rarely will get change from £100,000 for a brick-built waterfront freehold, even on the smallest navigable backwater.

In Wroxham, the prime pitch — which, together with Hoveton, across the River Bure, forms the heart of the Broads — houses in Beech Road were fetching up to £65,000 at the peak of the market (although, at that level, buyers were getting a residence of true quality, with several acres).

Buyers in the middle and upper price ranges tend to be local professionals and business people, or locals who have moved out and are moving back in their retirement. They have a reasonably wide choice.

At Attleborough, towards the northern extremity of the Broads and three hours by boat from Wroxham, £119,000 would buy a detached three-bedroom brick bungalow with a soft quay-headed mooring (through Woolwich Property Services).

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TRAVEL

IT WAS all too perfect. The moon hung heavy over the governor's mansion. Peacocks strutted on verdant lawns. The elite of the Khyber Rifles Regiment brought down the flag. The Last Post echoed mournfully. And the governor's servants, dressed in sculpted turbans resembling upturned candelabra, served us sandwiches with the crusts cut off.

The governor of the North West Frontier Province of Pakistan bore a startling resemblance to Douglas Fairbanks Jr. His pyjama suit was beautifully cut, his moustache doubly so, and although the scene seemed quintessential British Empire he looked proud of his new country and prouder still of its past.

This was the centre of the ancient Buddhist kingdom of Gandhara. It was overrun by the Kushans in the first century AD, brought under Moslem control in the 11th century, then later governed – but never really conquered – by the Moghul emperors, the Durranis of Afghanistan, the Sikhs of Lahore, and, from 1849 to 1947, the British.

The latter, fearing a Russian invasion, tried to manipulate the feud-obsessed Pathans by playing the myriad tribes off against one another. They tried bribery, threats, taking hostages: the Pathans largely did their own thing – mainly fighting among themselves and anyone else who got in their way, often with murderous success. It was in this guerrilla-friendly wilderness that the British swapped their bright red uniforms for inconspicuous khaki, from the local word *khaki*, meaning dusty.

Today Pathans still stroll through Peshawar, capital of the NWFP and home of the NWFP, with rifles slung under their cloaks. The Russians have fled neighbouring Afghanistan, but the Tribal Areas – backing on to the Afghan border – are still full of tribal Mujahideen, now largely engaged in smuggling and gun-running, still exchanging "a blow for a pinch" in their innumerable family feuds.

Peshawar is a town with a split personality: a modern university and a Pearl Continental hotel, the serenity of the (British-built) Mall, and, in the Old City, a mass of choked streets, rickety shops and wild-eyed Pathans. In the Khyber Bazaar billboards depicting gory extractions point the way to the street of dentists, brass and copper merchants a heatmpani the money changers squat amid piles of filthy notes in Chowk Yadgar, the central square, pocket calculators poised.

If the Pearl Continental is too bland, Dean's Hotel on Islamia Road, offers basic rooms with touch of colonial nostalgia, plus the boast that "Winston Churchill slept here". (He probably needed extra blankets). Salatin's on Cinema Road, offers first-class Pathan fare – meat kebabs, chicken shashlik; vegetarians face a lean time in most of Pakistan.

Twenty kilometres from Peshawar, towards Afghanistan, lies the Khyber Pass. Although officially off-limits, permits can be obtained through the Ministry of Tribal Affairs in Peshawar. An armed escort is required, and the Pakistan Tourist Development Corporation can help.

The road winds first past choked camps of Afghan refugees, outcasts from their war-torn country and a terrible drain on



Local tribesmen playing polo – often with a sheep's head – in Naltar, near Gilgit, in the North West Frontier Province

Hard ride on the world's highest road

Andrew Anderson climbs the Khyber Pass and travels across northern Pakistan in search of Shangri-La

Pakistan's economy. The refugees have built their own areas of commerce, mainly smuggled goods bearing western brand names – there is even a Khyber Pass branch of Marks and Spencers".

The Pass starts at Jamrud Fort and climbs into the Tribal Area, nominally under Pakistan control but a place that lives by its own laws. From the plain great crags of jagged rock rise up to tear at the sky, the rocks splintered by the heat and cold of furious seasons; nothing moves, nothing appears to grow, or seems capable of survival in this awful wilderness.

Daubed on the rocks are regimental badges and mottoes of British regiments which served there. One cannot imagine what the khaki youths from Devon or Cheshire made of it all, alternately shivering and boiling in their rock-hewn look-outs, waiting for the cold blade of a Pathan. The graves of the victims of cholera, mostly, dot the landscape.

The pass is now guarded by the Khyber

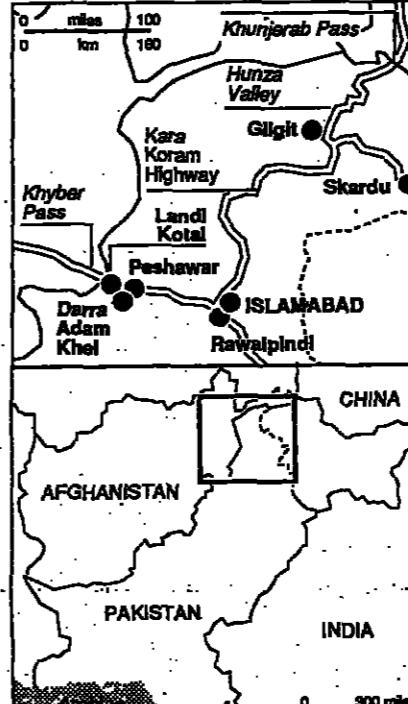
Rifles, whose HQ is close to the top of the pass. An eyrie of a border post overlooking a few miles of no-man's land before the Afghan border marks the limit of lawfulness. Beyond this, the tribespeople and Mujahideen come and go as they please, riding shotgun in Japanese flatbed trucks, smuggling drugs and goods of every description to the bazaar of Landi Kotal hard by the border post, where hashish is sold by the bucketful and tourists' armed escorts nervously stick flowers in their rifle barrels to show they come in peace.

There is peace aplenty further north towards Afghanistan, lies the Khyber Pass. Although officially off-limits, permits can be obtained through the Ministry of Tribal Affairs in Peshawar, and the Pakistan Tourist Development Corporation can help.

The road winds first past choked camps of Afghan refugees, outcasts from their war-torn country and a terrible drain on

the economy. The "road" from Skardu to Gilgit, which joins the KKH at the Alam Bridge, is a useful primer. It hugs the Indus range all the way, carved or blasted out of the rock walls that tower above it, with the river silently sweeping or raging on, and roaring hundreds of metres below. Huge, gaily-painted lorries groan along its length for days on end, meeting one another in the most delicate of passing manœuvres. Those wishing merely to be frightened should sit on the right of the bus. Those wishing to be terrified should sit on the left.

Most travellers stop to de-jangle their



the opposite bank of the Hunza River by part of the original Silk Road, a dizzying goat track hacked into the mountainsides and punctuated by now-rotten footbridges. Much of it has disappeared, crumpled by earth tremors that strike this area of colliding geological plates every three minutes. The KKH, too, is often blocked, but quickly cleared by bulldozer. In one area hundreds of tiny garnets lie scattered amid the debris in the road. You can gather handfuls, though it will not make you rich: a polished string can be shopped for a few pounds.

Past Rakaposhi (7,785 metres) the KKH winds into the wrenchingly-lovely Hunza Valley, inspiration for Shangri-La in James Hilton's novel *Lost Horizon*. After the desolation of the past hundred kilometres the valley opens up like a dreamscape: tiny, terraced fields rippling down the mountainsides, bordered by dry stone walls; graceful, slender poplar trees slanting vertical accents in the crystal air; the peaks of Rakaposhi, Ultar and Distaghil standing sentinel over all. In autumn, the valley is splashed with red, ochre, burnt umber and orange; in spring, wild flowers grow in profusion.

No wonder the people – Ismaili Muslims mostly, although the practice of fairy worship clings on in some valleys – look content though their lives must be harsh. They may not live *hundreds* of years, as Hilton wrote and many believed, but their diet – largely apricots – seems ambrosial enough.

In Karimabad, the local capital, the (now-abandoned) old palace of the Mir, head of the family that has ruled the area since the 11th century, gazes over an enchanted arena of soaring peaks, green terraces and thriving orchards, roofed under an eggshell sky. Apparently there is no word for "stress" in the local dialect.

In London, the Pakistan Tourist Development Corporation is in Suite 433, Holborn House, 52-54 High Holborn, London WC1V 6RB, tel: 071-242-3131.

The town that lives by the gun

DEALING in death has been good for Darra. At first sight, this tiny, dusty hamlet strung out along a "main" road 35 kms south of Peshawar, in Pakistan's North West Frontier Province, seems indistinguishable from all the other tiny, dusty hamlets in the area. Until one goes shopping.

"Kalachnikov?" smiles the gap-toothed proprietor of Alf's Arms Store. "Very good weapon, very good. But now not so good. Now we make the barrels from poor building steel, which melts. Or this: Lee Enfield. Very good gun, very strong. Or this one: Luger, same as Germans. Very good gun, very cheap. Ammunition no problem. You want one?"

Darra is the arms factory of the NWFP, a one-stop, drive-in ammunition dump for local tribesmen (mainly Pathans), ex-Mujahideen from Afghanistan, political militants, rivals with scores to settle, people with expensive "ships" to protect, even the occasional foreign "guest".

The whole village, hundreds of people, and many more in the area, is dedicated to forging – even down to the serial number – almost every type of weapon, new and old, invented in the world's munitions factories. The Pakistan police and army have no authority here. Cash is king. The Soviets may have pulled out of nearby Afghanistan, but business in Darra is still booming.

In every roadside stall Lee Enfield rifles old and new are lined up in their dozens. Wicked little Uzis hang on rusty nails next to shiny M16s. World War Two Sten gun copies are tucked in every corner. Revolvers and pistols of every kind are stacked high: Luger, Beretta, snub-nosed Mausers, Colt .45s, Walther PPks. Bullets spill from cardboard boxes. Shells rattle on



A prospective purchaser holds a weapon in Darra

the shelves. Prices start from about £20 for perfectly decent, perfectly deadly, Saturday Night Special.

Try before you buy, everyone else does. The street echoes with gunfire as tribesmen hag a prospective purchase, swing it to their shoulders and send a stream of bullets into the hills that look over Darra. Tight knots of men pull over the merits of stock and trigger action. Delivery is usually "arranged" later, away from tribal customs posts.

Afraid of loud noises? Silencers can be arranged. Or how about a blade? British Commando knives, SS daggers, bayonets, stilettos – all sharpened

spring-loaded barrel top, press the clip to release the spring and the "toy" splits the air with a deafening bang.

On the main street are the gun "factories", shacks generally specialising in one part of the production process. Here is the man who can hand-rifle a gun barrel, here is the man who makes the bigger mechanism. Boys of six or seven squat in the dust, polishing walnut stocks to a silken sheen. In one shack an anti-air rocket launcher is propped against the wall, complete with shells. Are they live? The stallholder shrugs: he knows a window shopper when he sees one.

There is a small mosque off the main street. In a guest room a village elder offers us sandwiches and garish sponge cakes, and the sweetest of almonds. The Pakistani government prefers to keep Darra off the official tourist track, but the villagers are getting used to their crowd-pulling notoriety, and permits and guides can be obtained – after a little bureaucratic wrangling – through the Khyber Political Agency. Independent travellers can often get through simply by donning the "disguise" of an Afghan hat and cloak – but it is not recommended.

After high tea, more locals demonstrate their machine-guns: then it is our turn. I am frightened, but others in my group grab the weapons gleefully. The air fills with thunder. Empty cartridge shells rain down. The locals laugh and clap. I retreat behind a pillar, feeling sick.

Andrew Anderson

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ARTS

AS DIANA Ross name dropped her way into the next song, "Lionel Ritchie wrote this for me in memory of Marvin Gaye" – a koala-burra cracked mirthlessly from an awning gum tree. Has the great soul singer reincarnated as an Australian? Fanciful, but no less fanciful than watching the Queen of Motown flashing her *Versace* see-through *al fresco* in a winery in Western Australia.

Each year the Leeuwin Estate goes black tie, jetting in a musical legend, perhaps Dame Kiri, perhaps Dionne Warwick, for a gala event which is filmed and then sold throughout the world. It is a wonderfully clever marketing ploy. The annual promotional budget for Leeuwin wines becomes self-liquidating.

Diana Ross was vintage stuff. She shrugs off the Supremes early on in a medley, she mechanically aims the latest song, then actually tinges nerves with "The man I love" sung straight to a jazz trio. But her biggest number these days is motherhood. After over 30 years and 50 albums the music has become routine; the buzz is from communion with the audience. Diana was soon thrusting deep into the real people at the sides, plucking out babies to croon over. As she brought us up to date with her family Ms Ross totally cracked the mystique of stardom. It was a double whammy – smoothly performed crooning by a natural woman.

The Leeuwin concert coincides with the Perth Festival, a pleasantly low key event which for 40 years now has pep up the pristine West Australian capital. Perth is a city remarkably at ease with itself and its Festival is especially laid back. There is the odd grumble that the over-playing arts fest at Adelaide attracts most of the attention, but Perth sounds the right cultural notes – Sir Harrison Birncliffe was composer in residence – without trying the patience of the locals.

This song proud in a perfect climate was best shown in Perth's respectful interest in the French performance art troupe Iotopia. They spent much of their time walking the



Commissioned from the Aboriginals: Stephen Albert in Jack Davis' 'Wahngin Country'

Perth keeps its cool

Antony Thorncroft enjoys a laid back festival down under

streets like mechanical zombies dressed only in fluorescent body paint. For their performance in a shopping mall they touched each other in colourful blanchemange. Congenitally impervious to this kind of thing, I admit to a frisson of excitement as the most virginal of brides, polyvinylized white to the tip of her bouquet, stood motionless in a cage while her jilted lover poured colourful sludge all over her from above. In Adelaide the city lived up to its Methodist roots by arresting two members of Iotopia for immorality.

Even *Clementine*, performed by the Actors Theatre of Louisville, failed to shake Perth's good nature. This began sleazy and became progressively more squiffy. Four women wrestlers slumped into their rat infested locker room in Clementine, Tennessee, which is a dead ringer for Pitsville, Arizona. One has problems with drink; one with money; one with girl

friends. The other is black, a big enough problem in Tennessee. None has problems talking dirty. There is something irresistibly visual about plays featuring women wrestlers think of *Trafford Tans*. But then the actresses were ring wise; this bunch were unconvincing experts in the heat butt or the half nelson.

Writer Jane Martin enthusiastically throws in schlock, notably the Knockout Sisters, a tag team of druggies called in as crowd pleasers, whose mother herds them into the ring shouting "Do it for the white trash". What with a bitten off penis; a crushed pet dog; shootings and strips; drugs and dementia, *Clementine* has all the charm and delicacy of cock fighting in the back of beyond. And yet... it has a certain hysterical vivacity and with more confident actors would travel well.

Australians are currently

racked with guilt at the treatment of the Aboriginal peoples. There is one positive result – every encouragement is given to Aboriginal artists to reach an audience. The Perth based Black Swan Theatre asked one Aboriginal, Jack Davis, to write a loosely autobiographical play which is performed by another, Stephen Albert, and directed by a third, Andrew Ross.

Wahngin Country, which translates as "Talking Country", offers the insights of an Aboriginal vagrant. We meet him, literally, first walking up in the bushes in the campus of the University of West Australia and then follow him across its lawns to the bench where he passes the day. This is a monologue of the half life of the urbanised, culturally bereft, black man, accompanied by a plaintive didgeridoo. The trouble is that such a life is necessarily boring. His best friends, as he points out, are

Johnny Walker, Jack Daniel and Jim Beam, his adventures as limited as his possibilities. Occasionally Davis allows his character to break into poetry and then you can catch the folk memories of a lost race.

But then *Wahngin Country* never quite becomes drama, staying an interesting diversion on a warm Australian night.

On a modest budget, Perth provides a leisurely, civilised arts festival. It loses some vivacity by hiving off its fringe, Artrage, to another part of the year, and although it makes obvious financial sense to share overseas arts troupes with Adelaide – 16 events featured at both festivals – it lessens its impact. But then Perth is quite happy to be the city apart, looking geographically and economically towards South-east Asia rather than the Pacific, certain that its well mannered rhythms of life are far preferable to the gaudy frenzy of distant Sydney.

For BT the switch is particu-

Screen

From Diner to Bugsy

CONSIDER THIS American career story. A man starts out writing sketches for comedy shows on local TV. He graduates to scripting for Mel Brooks and gets to stab Mr Brooks in the shower in a cameo role in *High Anxiety*. He turns director with a cult teenage-rear film called *Diner*. He follows with two giant box-office hits called *Good Morning Vietnam* and *Rain Man*. He turns round and makes a tiny autobiographical film, *Avalon*. He then turns round again and summons ten Oscar nominations with a big-budget, Warren Beatty-starring gangster film called *Bugsy*.

That Barry Levinson, in both career and habitat, is a rule unto himself is clear from his office at 20th Century Fox: lots of friendly clutter, plastic coffee-cups and a tousled Mr L who eats out of takeaway Chinese cartons. Levinson – I met him before *Bugsy* had opened, let alone won a Golden Globe and Critics Prize for Best Film of 1991 – gives the impression of running a cottage industry. But as a film-maker he is more and more fascinated by the way human values are corrupted by dwarfing ambitions or cultural tyrannies. *Avalon* was about the curse of TV on postwar family life. *Rain Man* was about the potential curse of a yuppie's greed on an autistic brother. And the potent black-comedy elements in *Bugsy* come from the inner clash between Siegel's vestigial seam of charm and innocence and his giant streak of malevolent ambition.

"What fascinated me is, here was a gangster who wanted to be a film star, who used glamour to disguise his more sociopathic behaviour. I'd always seen gangsters as East Coast overcoats, hats, the Godfather look. I'd never seen Hollywood gangster before, a man who needed that finesse and facade in order to function.

Bugsy Siegel wanted to be an actor. But he failed, so he became another kind of star. He built the Flamingo Hotel,

which was the foundation stone of Las Vegas, and he took the Hollywood glamour to the desert where he played host to the entertainers.

But doesn't the film itself, especially in presenting Siegel in the ladykilling form of Warren Beatty, risk glamorising evil? "No, I don't think so. The danger is that society itself allows these men to exist. A killer doesn't walk around a party looking like a killer. He

Nigel Andrews talks to film director Barry Levinson

can be handsome, debonair; the fact that he is among us and unobserved is what's frightening."

So is the volatile performance the director has coaxed from Warren Beatty. Typically of a Levinson film *Bugsy* itself is as mixed-mood as its main character. "If it works, it's because we've totally broken up the gangster genre. We're more humorous, more romantic, but along with that there's a darker side. It might offend some people who think 'Oh you can only be a comedy or a thriller.' We're all of those things."

Bugsy, Oscars regardless, has paid for its sophistication by performing unspectacularly at the box office. But then Levinson, with a few lapses has consistently seemed more interested in selling truth than in selling tickets. Even when sucked into the rubbish zone, as with *Young Sherlock Holmes* and the more empty-headed parts of *The Natural* and *Good Morning Vietnam*, he has struggled out again and tried to renew his identity. His Baltimore trinity – *Diner*, *Tin Men*, *Avalon* – is a unique attempt by a high-profile American director to make a plain-spun movie series about all of those things."

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Strong on the Renaissance

Nicholas Powell sums up the mood at the Maastricht Art Fair

WITH attendance up by 20 per cent on 1991 and business reportedly well in excess of last year, the week-long Maastricht European Fine Art Fair should bring some continental economic cheer to its 31 British participants by the time it closes tomorrow evening.

The show has been attended by 144 dealers from ten countries. Buyers were mostly Belgian, Dutch and German, along with some Indians and Spaniards. Highly specialised art collectors came from as far afield as the US, Japan and Hong Kong, dealer Edward R. Lubin from New York, specialising in Renaissance works of art, said he had chosen Maastricht as opposed to the more ostentatious Paris Biennale antiques fair for his first European venue, for precisely that reason.

Curators were busy buying, too. During the first 48 hours of the fair, the Antwerp gallery, J. Zegers, sold a 15th century Nottingham alabaster sculpture and a magnificent Fontainebleau walnut cabinet, c. 1580, to European museums. This year, Maastricht sported a new jewellery department grouping the world's four

biggest firms, in which the brightest sparkles came from Harry Winston's shamelessly come-lifeforce pair of Judy Garland's ruby slippers. There was real art in the fair's other new section, "Gravura," comprising five stands devoted to works on paper and books. Siegfried Billesberger, from Munich, had brought along extremely fine German and Italian drawings and rapidly sold a Van Gogh pencil sketch to a French collector for a hefty DM200,000. Woesley Fine Arts from London fielded an attractive choice of late 18th century and early 20th century French drawings.

Maastricht's Textura section, the biggest and best quality concentration of textile dealers anywhere in the world, this year housed Renaissance specialist Bernard Blondel from Antwerp, selling among others a pair of late 16th century Mille Fleurs tapestries from Bruges for £600,000.

Maastricht remains unaccountably afflicted with poor quality contemporary art stands, and there is still little furniture to be seen. Prinz und Moeller from Hamburg, however, had lots of very glossy Biedermeier and Gloucestershire dealer, Michael Golding, of Huntingdon Antiques, is

showing an outstanding selection of late medieval and renaissance English furniture, which British museums would, presumably, kill for, if they had any money.

Old Master paintings and drawings, occupying roughly half the stands in the fair, remain very much the hallmark of Maastricht, and there are some great and unusual works of Dutch tulips in vases and merrymaking Flemish peasants. The London firm P. & D. Colnaghi, returned to Maastricht after missing last year with a poignant and exquisitely coloured Holy Family by Hendrick Bloemaert, signed and dated 1655, which sold to a private collector within hours of the opening. Galerie d'Arceberg from Brussels were on the look-out for sellers as much as for buyers, and had ideal museum material to hand with a "Noli me tangere" by Janssens Wildens, c. 1620 for £12,000 and a Virgin and Child by 17th century French painter Simon Vouet for £12,000.

Other dealers had trimmed their sails to suit a North European clientele. Galerie de la Scala from Paris brought Dutch drawings and two

Off the wall/Anthony Thorncroft

Home sweet home

FORGET GALAS at the Garden, or exclusive parties at Glyndebourne, the latest buzz in arts sponsorship is decidedly populist. BT and Mobil have just launched on to the market tours of two of the oldest warhorses in the theatrical repertoire, *Agatha Christie's Witness for the Prosecution* and *Brandon Thomas's Charley's Aunt*.

The companies are not Angels; they are not so silly as to invest in either play. Instead they are giving £100,000 (plus in Mobil's case another £100,000 to spread the promotional word) to independent producers for the joy of being associated with the projects – so as to ensure that their

early pointed. Until this year the plays it progressed throughout the land were by Shakespeare and were performed by the RSC. The RSC is still looking for an alternative sponsor with £185,000 to finance its threatened small venue regional tour of *Richard III*.

Stoll-Moss seemed happy this week with the £12.8m it got from selling its freehold of the Coliseum to its tenants, English National Opera. It reckons that its chances of getting a worthwhile increase in the £350,000 annual rent after the expiry of the ENO lease in 1996 were low, and that the outcry that would have followed the eviction of

announced Almeida Opera, a co-venture with the Almeida Theatre. This is a July festival of two contemporary operas, one with music by Nigel Osborne and words by Howard Barker, based on the life of Goya, and another, *Mario and the Magician* by Stephen Oliver, which has been waiting some time for a British premiere.

Stoll-Moss is a happy event for both companies. The Almeida received some rare criticism last year when it axed its contemporary music festival – it can now satisfy this select audience – while the Contemporary Opera Studio at the ENO has largely been confined to weekend workshops in rural retreats. It now gets a London showcase. If the response is good, these small-scale operas will tour the country and enter the international arts festival circuit.

It will be nice if they have some future since the 19-day event is costing over £200,000. The fact that contemporary composers are prepared to labour long to create works with such a limited guaranteed life span underlines their poor job opportunities. As things are the festival is still not fully funded. It is looking for a donor with £50,000 to make possible the planned production of *Mary of Egypt*, with music by John Taverner and words by Mother Thelka. Mother Thelka is the abbess of a Yorkshire monastery and has become the favoured lyricist for Taverner, who now concentrates on religious music.

With such a flood of announcements ENO has cancelled the big annual event scheduled for next week – the disclosure of its financial statement and artistic plans. Nothing sinister in that. Director Peter Jonas expects to show a profit on a difficult year. There is also a good chance that he will make life even harder for Covent Garden by using the money the ENO saves on paying rent to reduce ticket prices.



Let's just have two guys on the road.' Charlie, who's got a soft centre. And Raymond, the immovable autistic. Let's have the cool man try to cool the guy who can't be reached. At some point he, Charlie, will have to turn back on himself because the other guy won't respond. It's like hitting a ball at a wall. So that was what we did. Made it a character study, pure and simple."

Which is what at heart

Bugsy is. The question is what sort of character? I'm still preoccupied with the glorified gangster question. *Bugsy* is

part of a flood of Mafia and

mobster films issuing from Hollywood during the last twelve months. What is the attraction? And what does the phenomenon tell us about the world or America itself?

"We are this young country," answers Levinson after a pause, "with no history. We didn't have kings or queens. We didn't have King Arthur. So we've invented our own mythology, which has become part of the genres we work. It may be part of our sick society that we keep dredging up this criminal past. But there is a fascination. Maybe we have to know ourselves thoroughly before we can cure ourselves."

Radio

Politician from another era

NEWS AND commentaries on the rival manifestos and so on are properly dealt with daily on other pages; but Radio 3's *The Politics of Choice*, presented by Robin Lustig on Tuesdays and Saturdays, is different. It guarantees that no active politicians will take part. The idea is to hear from a democratic sample of voters what matters they think important, then try them out on a panel of non-political experts. The producer is to banish the spokesmen, the spin-doctors and the soundbites altogether, and evaluate each question on commonsense rather than political conviction.

"We are this young country," answers Levinson after a pause, "with no history. We didn't have kings or queens. We didn't have King Arthur. So we've invented our own mythology, which has become part of the genres we work. It may be part of our sick society that we keep dredging up this criminal past. But there is a fascination. Maybe we have to know ourselves thoroughly before we can cure ourselves."

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Tuesday's vote. But there was better talk about Shakespeare in Radio 3's *Replay* on Sunday, an interview with Tyrone Guthrie recorded in 1964. Sir Tyrone went from memories of Ben Greet to his twelve years at the Old Vic. If I had a bigger house, I'd have a library of *Replay* tapes. This week's *Conversation Piece* was with a lady Detective Chief Inspector. I wouldn't collect those.

I did not care for Louis McNeice's Columbus play last month, nor did I much like Craig Warner's *A Sense of Things Moving Forward* (Radio 4, Sunday), which covers some of the same ground. Warner's arrogant Colon (Columbus to us) regards his new lands chiefly as a source of gold, which is in fact lacking. He sends Queen Isabella a cargo of 500 slave instead; they die on the trip, he is sacked. But the Pope takes his side – unaware, perhaps, of his cruel activities in his new territories, such as hanging Torre, the linguist who could not teach the natives how to conjugate irregular verbs, and allowing natives to die from their execution unapostolically.

It was a pleasure last night to turn to a politician of another time and another country in Radio 3's *Malraux* – the *Man and the Mask*. To be Minister of Culture under de Gaulle may not at this moment seem an outstanding political fulfilment; but Malraux's promulgation of music and theatre, even his splendid campaign for the cleaning of public buildings, are achievements any such minister might be proud of. If only he could be on a *Politics of Choice* panel! Both in his original work and in his criticism of others, as well as admiration, but he was a provocative figure either way. And his son, François, died in a shooting in 1989.

Warren Beatty in 'Bugsy': a volatile performance

Old Masters dealer Richard Green from London, who has shown at Maastricht since 1972, sold six paintings this year. He said trading for art up to £50,000 was no problem. It was proving less easy up to £1m and tricky above that figure, he said. "The quality is excellent. This is a top fair, which lives up to its expectations. It's not only what we sell that counts. It's the aftermath, the ongoing interest, the deals that happen afterwards which are important."

B.A. Young

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ARTS

Dance of death, betrayal and remorse

Clement Crisp hails 'The Judas Tree', Kenneth MacMillan's new work for the Royal Ballet

SIR KENNETH MacMillan's *The Judas Tree* was given its first performance by the Royal Ballet at Covent Garden on Thursday night. On its most immediate level it concerns harsh and all too familiar incidents of urban brutality. Jock McFadyen has made brilliant designs of a building site – ladders, walk-ways, unfinished walls, two derelict motor cars – peopled by a group of workmen under a foreman (Irek Mukhamedov).

A girl, Viviana Durante, is brought in, sexually predatory and flirtatious, who provokes jealousy and irritation, the foreman and one of his friends (Michael Nunn). She is eventually subjected to gang-rape by the men, is killed, and the foreman accuses his friend of her death. The friend is murdered. The foreman hangs himself. The girl responds as a woman to Nunn carries her above the recumbent Mukhamedov, her feet tread-

over his body. (A woman aggressively "walking over men" is a recurrent image). The weak "friend", so well played by Nunn, is given a questioning, ambiguous solo in which his indecisions are exposed. (He finds refuge with Durante under her white sheet, who thereby becomes a mother-figure.) The group of workmen indulge in games, races, that speak of suppressed sexual energy, undirected physicality, ill-defined but pungent menace. Mukhamedov is by turns dominant – astonishing in physical prowess – and broodingly dangerous as he "fingers" a character in accusation.

There is much to discover in the dance. With *The Judas Tree* MacMillan has again challenged the perceptions about our own identity: he shows the human condition, in actual and symbolic terms, as the central matter of drama. He also brings two welcome new talents to the Opera House stage. Jock McFadyen's designs are bold, sure.

Brian Elias' score is powerful as drama atmospheric in sonorities, providing an urgent motor force for the action. The Opera House orchestra under Barry Wordsworth were fine advocates for it, in an evening which also brought distinguished accounts of Stravinsky's violin concerto and Bizet's symphony in C. Of these, and their bright danced performances, I shall hope to report after a further viewing of this triple bill – which I would urge dance-lovers to see. The interpretations given by Durante, Mukhamedov, Nunn, and their colleagues in *The Judas Tree* are magnificent. *

After the girl's death – and it has been mysteriously presaged by Mukhamedov's drawing round her recumbent body with chalk, just as police used to outline the body of a corpse – Mukhamedov betrays and accuses Nunn with a kiss. Nunn's body is placed in one of the ruined cars at the back of the stage – a latter-day Christ in his tomb – and Mukhamedov, like Judas, hangs himself. It is then that Durante, draped in the undressing sheet of the cloth, stands like the Virgin Mother.

The various levels of interpretation would be mere cleverness were they not shown to us in dance of the most searching – and revealing – imagery, identity, motive, feeling, speak through movement unfailingly expressive. Durante's ambiguous relationship with Mukhamedov and Nunn is made clear to us as Nunn carries her above the recumbent Mukhamedov, her feet tread-

over his body. (A woman aggressively "walking over men" is a recurrent image). The weak "friend", so well played by Nunn, is given a questioning, ambiguous solo in which his indecisions are exposed. (He finds refuge with Durante under her white sheet, who thereby becomes a mother-figure.) The group of workmen indulge in games, races, that speak of suppressed sexual energy, undirected physicality, ill-defined but pungent menace. Mukhamedov is by turns dominant – astonishing in physical prowess – and broodingly dangerous as he "fingers" a character in accusation.

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Brian Elias' score for *The Judas Tree*, writes Andrew Clements, is a sustained and often striking achievement, far more direct in its imagery than his earlier orchestral works. Given a totally free hand by MacMillan, Elias has produced a continuously unfolding span of music, whose events were apparently informed by a private scenario of the composer's own devising, but one which makes perfectly coherent sense as an abstract musical argument.

With a five-part structure containing a set of variations, fully worked slow movement and a tumultuous coda which pulls together many of the musical threads, there is more than a hint of a latter-day symphony behind *The*

Judas Tree. It is a feeling enhanced by the carrying-over of thematic shards from one section to the next binding the structure ever tighter.

Many of the ideas are vivid: much of the melodic writing, for woodwind especially, has a sharp tang. Doubts about the pacing creep in shortly before the climactic coda, for the fourth section seems heavy on noisy, rotative rhetoric in contrast with the thoughtful plotting of the earlier argument.

There is plenty to absorb however, and ample substance to justify a transfer to the concert hall, where the proof that Elias' images are as compelling and haunting as MacMillan's choreographic ones could finally be tested.

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TELEVISION

BBC1

6.35 Open University. 7.25 News. 7.30 Crystal Tippa and Alastair. 7.35 Wiz Bang. 7.45 Braves. 8.05 Eggs 'n' Baker. 8.35 Thundercats. 9.00 Going Live!

12.12 Weather.

12.15 Coronation. Introduced by Steve Rider. 12.20 The Rugby Union Preview. 12.25 Racing from Newbury: at 12.30 The Milner's Shogun Trophy. 12.40 Rugby Union/Football: Previewing this afternoon's rugby matches and reviewing the FA Cup quarter-final replays.

12.55 News. 1.00 Racing: at 1.05 The Highland Spring Handicap Hurdle. 1.15 Rugby Union/Football. 1.35 Racing: at 1.40 The Hoechst Panacur EBF Novices Hurdle. 1.50 Rugby Union: Live coverage of the Five Nations Champs. 1.55 Match between Wales and Scotland with commentary by Bill McLaren and Phil Bennett. Plus, highlights of France v Ireland. 4.15 Athletics: World Cross-Country Championships from Boston. Liz McColgan runs for Britain. 4.40 Final Score. Times may vary.

5.05 News.

5.25 Regional News and Sport.

5.25 Stay Tuned!

5.50 Big Break. Jim Davidson is joined by snooker stars Mike Hallett, Tony Drago and Dennis Taylor.

7.10 Film: Beloved. Not included: An unusual and violent slasher, thugs to clear the last tenants from a crumbling building, but the residents get help from an unlikely source — a pair of mischievous aliens. Starring Hume Cronyn, Jessica Tandy and Frank McRae (1987).

8.55 Weather.

9.25 Moon and Son. Stolen diamonds and a French Legionnaire cause problems for the Moons. Millicent Martin and John Michie star.

10.20 That's Life!

11.00 Midnight Caller. Ghosts from the past return to haunt Killian when a couple of ex-soldiers of murdering a Vietnamese family during the Vietnam War.

11.45 Film: Nothing But the Night. The trustees of an orphanage die in mysterious circumstances, and the orphans themselves are thought to be responsible — but the cause is far more sinister. Starring Christopher Lee and Peter Cushing (1975).

1.05 Weather.

1.10 Close.

BBC2

6.40 Open University.

3.00 Mahabharat. (English subtitles).

3.40 Film: My Little Chickadee. Vintage comedy, with WC Fields and Mae West hamming it up in the Old West. Together they unmask a small-time villain (1940).

5.00 Athletics. Live coverage of the men's World Cross-Country Championship. Plus highlights of the women's race where Liz McColgan strives to add to her impressive season's achievements. The action comes from Boston, USA.

6.25 Late Again. Selection of highlights from last week's editions of The Late Show.

7.10 News and Sport: Weather.

7.25 Fine Cut: Forest of Britain. Robert Gardner presents his view of the Great Creation Ground at Barmera, India, where priests perform age-old rituals — cremating the corpses of devout Hindus and scattering the ashes on the sacred River Ganges.

8.55 Film: The Cotton Club. Trumpeter Duke Dwyer (Richard Gere, who plays his own comet solo) saves a gangster's life and becomes involved in the criminal underworld. Starring Paul Copolla, drama, also starring Shirley Hines, Bob Hoskins, Loretta McKee, Diana Liane, James Remar and Nicolas Cage (1984).

11.00 Galler Legends — Rock Concept. Fourth concert from Seattle's Expo '90 celebrations. Featuring a stylized mixture of guitarists including Robbie Robertson, Roger McGuinn, Richard Thompson and Roger Waters. Plus, an appearance by Les Paul, virtual inventor of the electric guitar.

12.35 Close.

SATURDAY

LWT

6.00 TV-am. 8.22 Motormouth. 11.30 Zorro. 12.00 The ITV Chart Show.

1.05 ITN News: Weather.

1.10 Saint and Grisselle. All the week's local news, and a couple of surprise studio guests. Plus, a profile of former England star Mick Channon, now a successful racehorse trainer.

1.55 The Day.

2.00 Tournament of Champions. Former Olympic Champions in head-to-head ski competitions with prize money totalling £150,000.

2.55 Open Mediterranean Golf 1992. Ian Woosnam defends the championship he won in France last year.

3.35 Film: Deadly Nightshade. Starring Shirley Jones (1958).

4.45 Royal Wedding.

5.05 LWT News: Weather.

5.15 10 Sharp! With Pat Sharp: Baywatch.

6.20 Family Fortunes.

6.50 Murder, She Wrote. Angela Lansbury stars.

7.45 Stars in Their Eyes.

8.15 The Brian Conley Show. Brian contends with his highly-trained dog, his Dangerous Bill and looks at home security in Handy Hints.

8.45 ITN News: Weather.

9.05 Guests of the Emperor. First of two parts. Gripping true-life tale of a man's life as a concubine in a women's POW camp in Japan. Female expatriates, caught during the fall of Singapore in 1942, fight to survive the merciless brutality of their captors. True story, starring Annabel Gish, Gene Rowlands and Carol Webb.

10.05 Film: The Devil and Company. Warren Beatty drops in to chat about his new film, Bugsy, and his latest role — as a father.

10.55 Metro. Ian Drury goes behind the scenes at London's Coliseum theatre and looks at the London performance club scene. With music by Tori Amos and Nana Vasconcelos.

11.30 Tour of Duty.

12.30 Get Stuffed.

12.35 WCW Pro Wrestling.

1.25 Get Stuffed; ITN News Headlines.

1.30 New Music; ITN News Headlines.

2.00 American College Football.

4.00 Coach.

4.30 The Hit Man and Her.

CHANNEL 4

6.00 Early Morning. 9.30 Despelling World: Eurosigns on the Tyne. 10.00 Our Olympics. 10.30 Film: Great Games. 11.30 Gutsav looks for a love. 12.00 Get Smart. 12.30 pm The Beverly Hillbillies.

1.00 Film: Phillips. Divorced couple try to find out what they've been missing. Comedy, starring Jack Lemmon and Judy Holliday (1954).

2.35 Sense of Responsibility. Cartoon.

2.45 Racing from Doncaster. Including the 3.00 Teletley Bitter Doncaster Mile. 4.30 William Hill Lincoln Handicap. 4.15 Cambridge Trophy and 4.45 Nature's Prize — Sun Group Handicap Open. Brookside.

6.30 Right to Reply. Claire Rayner's reaction to criticism of her role in a sanitary towel advert.

7.00 A Week in Politics. Vincent Herring and Andrew Rawnsley look back at the first full week of the election campaign, including interviews with representatives from the three main parties. Plus, a look at the political career of Michael Foot, who retires at the election, the last of the 1945 intake to leave the House.

8.00 TV Heaven: Introduction. Classic entertainment from 1970.

8.05 Film: The Last Days of the Great Barrier. Enduring British sitcom, starring Reg Varney and Bob Grant as Luxton Bus Company's likeable but least efficient pairing. In this episode, the company struggles to cope with new technology.

8.55 Film: The Last Days of the Great Barrier. Compelling documentary following a two-year expedition to find and protect an elusive Amazon tribe whose way of life has remained at Stone Age level.

10.20 Manhunt. Tense espionage drama about three people on the run. Not for nothing has it just five lines of dialogue. Peter Barkworth, Alfred Lynch and Brian Cox star.

11.25 Court TV: America on Trial. A Cincinnati basketball star is charged with rape and sexual assault. This case, along with the William, Linda and Mike Tyson trials, helped fuel the controversial debate in America over court actions of this kind.

12.25 Film: The Big Shot. Ill-fated villain has trouble with women and friends. Gangster movie, starring Humphrey Bogart. Part of the Public Enemies season (1942).

1.55 The Word.

2.55 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

11.30 The Musicians Today. 1.05 Angels News.

1.55 The A-Team. 2.50 Caravan Time. 3.05 Carry On Cruising (1962). 5.05 Angels News and Sport. 5.15 Caravan Time. 10.55 One to One.

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8.55 Film: The Last Days of the Great Barrier. Compelling documentary following a two-year expedition to find and protect an elusive Amazon tribe whose way of life has remained at Stone Age level.

10.20 Manhunt. Tense espionage drama about three people on the run. Not for nothing has it just five lines of dialogue. Peter Barkworth, Alfred Lynch and Brian Cox star.

11.25 Court TV: America on Trial. A Cincinnati basketball star is charged with rape and sexual assault. This case, along with the William, Linda and Mike Tyson trials, helped fuel the controversial debate in America over court actions of this kind.

12.25 Film: The Big Shot. Ill-fated villain has trouble with women and friends. Gangster movie, starring Humphrey Bogart. Part of the Public Enemies season (1942).

1.55 The Word.

2.55 Close.

BRIDGE

IN TODAY'S hand from rubber bridge the declarer failed to bring home his slam:

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IN AN election campaign dominated by photo opportunities, sound bites, and staged and scripted interviews, it is refreshing to see a politician look shocked.

It happened last week to Tony Blair, Labour's shiny-faced employment spokesman. While in full spate advocating higher pensions for all, he was cut off at the knees by a softly-spoken working-class Welsh housewife: "I don't know why you want to give us all this extra money," she said. "We'll just go and spend it on a trip to Euro-Disneyland."

Mr Blair, whose features anyway have the rubbery consistency of a cartoon character, looked like Mickey Mouse would if Minnie Mouse told him she was going off with Donald Duck. While the Labour party is quite prepared to argue

Best laid plans of men and mice

Dominic Lawson on the significance of Disneyland for the British election

that tax cuts lead to undesirable expenditure on pleasurable foreign imports, it had clearly never occurred to them that good working-class Welsh pensioners might perpetrate similar treachery.

But I have no doubt that the lady was right. Euro-Disney will syphon off more discretionary pounds, once it opens next month, than any competing English, or even Welsh, attraction. In 1988 I was invited by the Disney company to tour Disneyland in California and Disneyworld in Florida. I think the occasion was Mickey's 50th birthday. To celebrate Disney executives had covered 320 acres of an Iowa cornfield with the image of Mickey Mouse's

head. They called it the "Little Mouse on the Prairie."

Meanwhile in California and Florida the executives who all wore Mickey Mouse watches showed me maps of Europe covered with concentric circles showing population densities, and average speeds of public and private travel. They somehow seemed to converge on a blob about 20 miles east of Paris.

"How convenient," I trilled. "The year the Channel Tunnel opens."

"Oh really," they replied in a tone nicely mixing boredom and disbelief.

Well Mickey is on time, at least. It is hard to over-emphasise the

military precision with which the Disney company orders its affairs. And like the military, the greatest precision attaches to the tiniest details.

Four years ago, at the Disney University in California — yes, there is such a place — I stumbled across a document which governed the exact physical appearance to be adopted by employees. Under the section *Women (Hair)* it said: "Hair below shoulder-length should be worn combed away from the face so that it will not fall forward or over the face while performing normal job duties. Side tendrils, if worn, should not extend below the bottom of the ear lobe. If a yarn or

hair ribbon is worn it should be no wider than one-half inch or longer than four inches when tied. Stickpin barrettes (both leather and plastic) and knitted chignon (bun) boppers are not acceptable."

For EuroDisney everything has been thought of. The Disney employees dressed up as Mickey Mouse will not be allowed to ruffle the hair of little European children who come running up for affection. This is because Disney is concerned that one such child might be undergoing chemotherapy, and be wearing a wig.

Mickey will not have a tail. This stems from an incident eight years ago when a visitor to Disneyworld

in Florida pulled too insistently at Mickey's tail; Mickey picked the boy up and hurled him through the air. The parents took Mickey to court. No such incident will ever be allowed to break the monotony of perfection at Euro-Disney.

This perfect monotony is in fact the great US invention. In any other business it is simply called mass production. It is why the Heinz baked bean, the Kellogg cornflake, and many years ago, the Ford motor car, conquered the world. The Disney company, with complete success, has applied the US principles of mass production to the appearance of human beings.

In this election campaign the party media managers are attempting to achieve the same standards of flawlessness, rehearsed consistency with their charges, the politicians. But unfortunately for them, the public want men, not mice.

■ *Dominic Lawson is editor of The Spectator.*

Private View/Christian Tyler

No black and white answers

"THE CROCODILE does not die under the water so that we can summon the monkey to his funeral." Both animals are African, suggests this Akan proverb from Ghana, but each has very different customs.

So what does "being African" mean? Compare the answer of the Johannesburg housewife and the Haile chiefdom, and discuss.

Or ask the professor from Harvard. He will say there is no African literature, no African culture, no African race, as such. It is not that these phrases are meaningless, but that, being based on tradition, myth or lies, they are usually useless and sometimes dangerous. And such holds for the rest of humanity.

Nineteenth-century scientific theories which held that race, culture and ability were somehow "in the blood" have been discredited. Yet their influence continues to be felt: in the "multiculturalism" controversy in the US, for example, in the resurgent racism in western Europe, in the nationalist wars in the Balkans and Caucasus.

The Harvard professor is Kwame Anthony Appiah, a philosopher who lectures on Afro-American studies, and who illustrates the absurdity of the cruder categorisations.

He is African: he was born 37 years ago in Ghana. His late father Joe Appiah, a leading lawyer, was a friend and later a critic of Kwame Nkrumah. His uncle, Otumfuo Nana Opoku Ware II, is king of the Asante.

He is also English: his mother Peggy is the daughter of the former Labour Chancellor, Sir Stafford Cripps. During the holidays from his English public school, Bryanston, Appiah would go home to Kumasi in Asante. He also spent a lot of time with his grandmother, Dame Isobel Cripps, in the very English village of Minchinhampton, Gloucestershire.

In the US, he is black — that is, when he is not white. On his first visit an FBI officer, on learning that he had flown in from London, told him to enter "white" on the form.

He is a Noel Coward fan, which he admits is odd, given Coward's jingoist style. "I suppose I like the funny mixture of reverence for English institutions and taking the mickey," he said. "It's a very English thing."

Appiah's mixed parentage is not his only reason for exploring the race question. He went to Clare College, Cambridge, as a medical student, studied genetic theory then switched to philosophy, winning a double first and doing his doctorate

in linguistics. The result is his fifth book, a difficult but provocative account of African culture called *In My Father's House*.

I asked him if he ever asked himself what race he was.

"No. Other people have views about it. In America I'm black — that's how race works and I don't let that worry me."

In your book you don't use the word "black" much, I said.

"No, I don't. I don't care too much about the terminology because I think all terminologies are misleading. In a world in which many of us are the products of marriages of people from different places, it makes less and less sense to feel one has to have an answer to that question. I feel very much at home in Gloucestershire, I have to say. I can go to the graveyard in Cirencester and see graves of ancestors of 500 years ago. But I also feel very much at home in Ghana."

What colour would you call yourself?

"A useful term is 'a person of colour'."

But you are just as much white as you are black.

"Yes, I know. But that's not how it works."

The asymmetry is a little unfair, isn't it?

The asymmetry is tied up with ways of thinking I don't believe in."

Is it offensive?

"It depends who does it, and why. I mean it's ignorant. But then people are constantly doing things to each other which are ignorant."

Appiah agreed it was inevitable

Harvard philosophy professor Kwame Anthony Appiah is the grandson of Stafford Cripps and the nephew of the Asante king

that at some point he would write a book on the philosophy of race and culture. I asked him whether he had been able to tackle the subject objectively.

"I can't claim to be disinterested. I have a lot at stake. And it's important for people like me to think things through just to protect themselves and those they care about. But if I say something that isn't true or I make a bad argument I want to be told."

He said his research had thrown up some surprises: he said he was stunned to discover how large a part race thinking played in the development of literature in the US. Another surprise was how straight-

Darwin, in an attempt to explain these differences. The theory he came up with was that we are divided into a small number of groups and everything important about people flowed, biologically, from their membership of the group. That is what is not true. It's just not the case.

There are massive similarities, and the key things that matter to us about people — ideas, religions, cultures, family — all turn out not to flow from biology at all.

"When people said race mattered, they meant Africans couldn't write sonnets or compose chamber music because it wasn't 'in the blood'. Anyone who knows anything knows

now that's not true. But people don't widely enough appreciate how wildly wrong it is. They say 'Well, there's still character.'

"The fact is if you take a little child from Zaire and bring her up with an Irish-American family in Boston, so far as culture goes — with the exception of racism that the other kids in the family won't have — she will be as capable of doing all the things that matter as any other child."

Darwin and the rest might have been right, Appiah said. It was a sensible hypothesis at the time. But like a lot of 19th century science, it turned out to be wrong.

What people really mean by "race" depends on where they are: they might be talking about differences of colour, culture or just wealth.

"If races were real, the explanation would be the same everywhere, but it isn't. It's rather like witchcraft: some of the things people call witchcraft really do happen, but that's one explanation I'm not going to give, because I don't believe in witchcraft."

Sociologists used to describe societies with large immigrant populations as "multiracial"; today they prefer "multicultural". The rethinking has not eased the tension either in western Europe or the US.

Appiah thinks the present fashion in the US for each ethnic group to discover a culture for itself and then to assert it politically is misguided — and racist.

"Your own culture is changed. That doesn't mean we all become the same, any more than all the people in Minchinhampton, a tiny village, are the same. They all have different stories to tell."

What strikes him most about his black students at Harvard is how American they are, especially when a foreigner criticises their country.

"That's the way to perdition. On the other hand, the right-wing response that we should all buy into the one, monolithic, European-derived western tradition which has given us everything we have in America is equally false. It's just not true that everything in America has come that way. Think of jazz."

The issue was real enough, but most of the debate was bogus. If you sketch out this Noah's Ark view, in which you should have two of every kind, you can see it's crazy.

"What's going to happen? Are you're going to say: 'Sorry, you're Jewish and you can't marry that Catholic boy you've fallen in love with?' It's just not going to work. People are going to blue and blend, not just by intermarriage, but by being friends and co-workers and fellow students."

"So, inevitably — and one may regret this — there will be a certain homogenisation of global culture. In London now you can see Japanese Kabuki, which you couldn't 100 years ago. Not only can you see it, but with a bit of help you can make some sense of it. Just as the Japanese can now be visited by the Royal Shakespeare Company."

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They should not be blamed, however, if being so recently allowed into the elite white universities, they wanted to move the furniture around a bit.

You say there is no black American literature.

"Put it this way, I don't think it is an interesting literary category."

You're a philosopher and half-American. Is there no such thing as an African philosopher either?

"Only in the geographical sense. I prefer to define one as someone who is concerned with philosophical issues as they relate to Africa."

Your book is quite hard to follow, I said. Can a philosopher like you really make an impact on an issue like this?

"Not by myself. I am now inclined to feel having done the thinking, that the task is to tell it in other ways: so I talk on the radio and to policy people."

"The great hope of the European Enlightenment was that philosophers could work things out. It was Marx's idea and Lenin's too. And it hasn't worked. It hasn't worked for the same reason why democracy is a good idea. Nothing in social life really works unless a lot of people believe in it. Hearing from the mountain is not a way of coming to believe in it."

"I really do think — and this is much easier to say after the last two years in eastern Europe — that these are the problems of our time. The idea that our differences come from inside, that they flow from the blood, is a very dangerous way of thinking."

babies, women in huge hoop skirts and white embroidered turbans, on closer inspection turn out to be men, betrayed by their hairy legs. In fact, many macho males seize the opportunity to put on women's clothing and make-up.

There are always more discoveries to make if one is prepared to venture further underground to the heart of neighbouring Recife. On the Monday night of carnival, in the innermost alleys of the city, one of Brazil's oldest and most traditional parades takes place — the Night of the Samba Drums — in honour of the Samba Drums.

The drums are not silent in spite of the name but are accompanied by religious chanting and the ringing of cowbells.

On the few occasions the locals stop their frenetic activity it is usually for *jejocô* — a stew of black beans and every conceivable part of a pig from trotters to ears. To the squeamish, this local dish originated as slave food using parts of the pig that the masters had discarded.

If the hedonism becomes too intense and one can take no more of the rhythms and colours of Brazil, there is the perfect antidote in the form of the nearby beaches on the prison island of Ilha das Flores. Lie on the silvery sand of Forte Orange under a tall coconut palm and let small boys cook freshly caught lobster and pour ice-cold beer. For intellectual exercise one can ponder on the strategic logic which prompted the Dutch to position their fort front of a sandbank — making it impossible to view enemy ships entering the bay. I concluded this was a fortuitous decision — had they not done so the Portuguese invasion might not have been successful and we would have been doing clog dances instead of *favela*.

Worldwide, people now consume around 400 cubic yards of wood annually, enough to build a solid wooden highway to the moon. This is not good for the primates, many of whose habitats are so threatened by the antics of loggers and governments everywhere, and of every political tint, that almost half are declining towards extinction.

My thought for the day: beware of the journalism it can lure you into the swamp.

■ **E B White** *Writings from The New Yorker 1927-1976*, Harper Perennial, £12.99. *The Deluge and the Ark*, Hutchinson Radius, £14.95.

Despatches/Christina Lamb in Olinda

The lords of the dance



Everyone is drinking, dancing and falling in and out of love'

DAY THREE of carnival and all sense of normal waking hours has long been suspended along with every slight notion of reality. Five planes are a transvestite walk past and a carnival queen lies snoring elegantly on the next table. My tutu is slipping and the delicately etched rose design on my right cheek has become an unseemly smudge of red and black.

The moment seems opportune for drifting off in a daze induced by *cachaca*, the local sugar cane spirit not completely dissimilar to methylated spirits. But it is not to be. Down the narrow cobbled street comes a battery of drummers heralding the approach of six huge figures with maniacally grinning plastic doll faces, twirling brightly coloured miniature umbrellas. The carnival queen jerks awake, leaps off the table and rejoins the throng. All around people are starting up again like clockwork toys that have suddenly been activated. In the trees a confused flock of birds restart the dawn chorus.

Carnival in the north-eastern Brazilian town of Olinda is not for stamina. The festival lasts two weeks and proceeds at a relentless pace. The *favela* beat is far faster than samba and combines an unnatural amount of bops/waying with violent martial art kicks. Locals talk admiringly of the old man who died inside one of the paper mache dolls, dancing until the end.

While Rio's more famous carnival has become a multi-million dollar spectacle with samba schools trying to outdo each other with stunning costumes, high-tech floats and laser displays, in Olinda it remains a carnival of the people where no-one

can avoid joining in. The costumes are homemade and choreography is an unknown word as numerous *blocos* (groups of dancers and drummers) crowd into the streets for days on end. In the Rio Sambadrome locals are discussing the relative merits of twice champion samba school, Mocidade's depiction of dreaming. In Olinda disorganisation reigns. At the town's Four Corners crossroads a parade of clowns and Charlie Chaplin crash into a huge spider on sticks and a group of transvestites

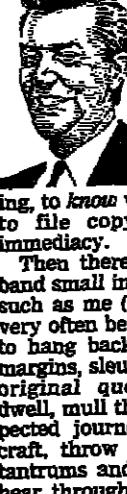
all the festivities, thinking they must have got the wrong place. Frivolous it may sound but many sociologists believe the reason that the country with the world's largest income gap and one of the highest inflation rates has not exploded in revolution is this very ability to

make the hedonism become too intense and one can take no more of the rhythms and colours of Brazil, there is the perfect antidote in the form of the nearby beaches on the prison island of Ilha das Flores. Lie on the silvery sand of Forte Orange under a tall coconut palm and let small boys cook freshly caught lobster and pour ice-cold beer. For intellectual exercise one can ponder on the strategic logic which prompted the Dutch to position their fort front of a sandbank — making it impossible to view enemy ships entering the bay. I concluded this was a fortuitous decision — had they not done so the Portuguese invasion might not have been successful and we would have been doing clog dances instead of *favela*.

But then it is carnival time and nothing is quite what it seems. The

All you need is doves

Michael Thompson-Noel

 SOME journalists are paid good money to position themselves at the centre of affairs. News-sleuths or feature-hounds, they are expected to be where it is happening, to know what is happening, and to file copy that gleams with immediacy.

Then there are the rest of us, a band small in